FORTIETH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2011-2012)

(FIFTEENTH LOK SABHA)

EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2009-10)

Presented to Lok Sabha on 19 *December,* 2011

Laid in Rajya Sabha on 19 *December,* 2011

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2011/*Agrahayana,* 1933 (*Saka*)

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CONTENTS

PAGE

PART II

ANNEXURES

APPENDICES

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2011-2012)

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

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*21. Shri J.D. Seelam

22. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri S.L. Singh — *Committee Officer*

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* Elected w.e.f. 29th August, 2011 *vide* the vacancy occurred *vice* Smt. Jayanti Natarajan appointed Minister w.e.f. 12th July, 2011.

INTRODUCTION

I, the Chairman, Public Accounts Committee (2011-12), having been authorised by the Committee, do present this Fortieth Report (Fifteenth Lok Sabha) on '*Excesses Over Voted Grants and Charged Appropriations (2009-10)*'.

2. The Union Government Appropriation Accounts (Civil), 2009-2010, Union Government Appropriation Accounts of the Defence Services for the year 2009-2010, Union Government Appropriation Accounts (Postal Services), 2009-2010, and the Report of the Comptroller and Auditor General of India for the year ended March, 2010, No. 1 for the year 2010-2011, Union Government (Accounts of the Union Government) were laid on the Table of the House on 18.03.2011. The Indian Railways Appropriation Accounts 2009-2010 and the Report of the CAG of India for the year ended March, 2010, Report No. 33 of 2010-2011, Union Government (Railways) Railway Finances were laid on the Table of the House on 5th August, 2011.

3. The Committee examined the cases of excess expenditure incurred by Ministry of Communications and Information Technology (Department of Telecommunications), the Ministry of Defence, the Ministry of Home Affairs, the Ministry of Communications and Information Technology (Department of Posts) and the Ministry of Railways of the Union Government in the 2009-2010 fiscal on the basis of the Appropriation Accounts, observations of Audit as contained in the relevant Reports of the Comptroller and Auditor General of India for the year ended 31st March 2010, and the Explanatory Notes furnished by the various Ministries/Departments concerned. The Committee considered and adopted this Report at their sitting held on 23rd September, 2011. Minutes of the sitting are given at Appendix I.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix II to the Report.

5. The Committee would like to express their thanks to the officers of the Ministry of Communications and Information Technology (Department of Telecommunications), the Ministry of Defence, the Ministry of Home Affairs, the Ministry of Communications and Information Technology (Department of Posts) and the Ministry of Railways for the cooperation extended by them in furnishing information to the Committee.

6. The Committee place on record their appreciation of the assistance rendered to them in the matter by the office of the Comptroller and Auditor General of India.

NEW DELHI;	DR. MURLI MANOHAR JOSHI,
15 *November*, 2011	*Chairman,*
24 *Kartika*, 1933 *(Saka)*	*Public Accounts Committee.*

PART I

REPORT

BACKGROUND ANALYSIS

A. INTRODUCTORY

(a) Annual Appropriation Accounts of the Union Government

Appropriation Accounts are annual statements detailing grant-wise sums expended by the Government in a financial year compared with the several sums specified in the schedule appended to the Appropriation Acts passed under Articles 114 and 115 of the Constitution of India and also indicate unspent provisions/excess expenditure under each Voted Grant and Charged Appropriation as a whole during that financial year.

2. Presently, four Appropriation Accounts are presented to Parliament *viz.* Civil, Defence Services, Postal Services and Railways. The Appropriation Accounts in respect of Grants/Appropriations* covered under Civil Sector are prepared by the Controller General of Accounts (CGA) in the Ministry of Finance and the Non-Civil Ministries/ Departments like Defence, Posts, and Railways prepare their own annual Appropriation Accounts. These Appropriation Accounts are audited and certified by the Comptroller and Auditor General (C&AG) of India who also submits separate Audit Reports thereon to the President who, in turn, causes them to be laid before each House of Parliament in terms of Article 151 of the Constitution of India.

3. After their presentation to Parliament, these annual Appropriation Accounts and Audit Reports thereon stand referred to the Public Accounts Committee for examination under the provisions of Rule 308** of Rules of Procedure and Conduct of Business in Lok Sabha.

4. In scrutinizing the Appropriation Accounts of the Government of India and the Reports of the Comptroller and Auditor General of India thereon, it is the duty of the Committee to satisfy themselves:—

(a) that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged;

(b) that the expenditure conforms to the authority which governs it; and

(c) that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority.

5. If any money has been spent on any service during a financial year in excess of the amount granted by the Parliament for that purpose, the Committee examines, with reference to the facts of each case, the circumstances leading to such an excess and make such recommendations as it may deem fit.

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* In a Demand for Grants, provision for voted expenditure is called a Grant and that for the charged is called an Appropriation.

** This Rule defines the functions of the Public Accounts Committee.

(b) Rules/Provisions for controlling excess expenditure

6. The following Constitutional Provisions and Rules are laid down for control of excess expenditure by the Government:—

(i) Article 114(3) of the Constitution provides that subject to the provisions of Articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article.

(ii) Further, Rule 52(3) of the General Financial Rules (GFR), 2005 stipulates that no disbursements be made which might have the effect of exceeding the total grant or appropriation authorised by Parliament for a financial year except after obtaining a supplementary grant or an advance from the Contingency Fund.

(iii) Article 115(1)(b) of the Constitution stipulates that if any money had been spent on any service during a financial year in excess of the amount granted for that service and for that year, the President should cause to be presented to the House of People a demand for such excess.

(iv) Indian Railway Financial Code, Volume-I also addresses the issue of excesses over grants in so far as Railway finances are concerned. According to paragraph 371 of this code, the Railway administration shall be responsible to ensure that no expenditure is incurred in excess of the Budget allotments made to them. Similar provisions also exist under paragraphs 782 and 783 of Postal Manual, Volume II (Fourth Revised Edition) which, *inter alia* prescribe that control in relation to budget allotments must secure that expenditure is not incurred under any head in excess of the funds allotted to that head.

(c) Procedure for regularization of excess expenditure

7. According to the procedure laid down for regularization of the excess expenditure, the Ministries and Departments of Government of India are required to furnish to the Public Accounts Committee, Explanatory Notes detailing the reasons for or the circumstances leading to the excesses under each excess registering Grant/ Appropriation along with the relevant Appropriation Accounts. Thereafter, the Public Accounts Committee proceed to examine, in the light of Explanatory Notes furnished by the Ministries/Departments concerned, the circumstances leading to such excesses and present a Report thereon to Parliament recommending *inter alia* regularization of the excesses subject to such Observations/Recommendations as they may choose to make. Pursuant to the Report of the Committee, Government initiate necessary action to have the excesses regularized by Parliament, under Article 115(1)(b) of the Constitution, either in the same Session in which the Committee present their Report or in the following Session.

(d) Union Government Appropriation Accounts (2009-10)

8. The details of the four Union Government Appropriation Accounts (2009-10) *viz.* the dates on which these Accounts were laid on the Table of the House, the number of Grants/Appropriations operated under each of the four Appropriation Accounts and the Chapters/Paragraphs of Audit Reports in which the relevant audit

findings are highlighted are given in the following table:—

Sl. No.	Appropriation Accounts	Date of laying on the Table of the House	No. of Grants/ Appropriations	C&AG's Report in which audit findings are highlighted
1.	Civil	18.03.2011	98	Chapters 6 and 7 of C&AG's Report No. 1 for the year 2010-11, Union Government (Accounts of the Union Government)
2.	Defence Services	18.03.2011	6	-do-
3.	Postal Services	18.03.2011	1	-do-
4.	Railways	05.08.2011	16	Chapters 6 and 7 of C&AG's Report No. 1 for the year 2010-11, Union Government (Accounts of the Union Government) and Chapter 2 of C&AG's Report No. 33 of 2010-11, Union Government (Railways) Railways Finances
	Total No. of Grants/Appropriations:		121	

9. In this Report, the Committee have examined the cases of those Grants/ Appropriations where money has been spent in excess of the amount authorized by Parliament for specified services for the year 2009-10 and which require regularization by Parliament under Article 115(1)(b) of the Constitution of India.

B. EXCESS EXPENDITURE OVER VOTED GRANTS AND CHARGED APPROPRIATIONS (2009-10)

10. Scrutiny of the four Union Government Appropriation Accounts (2009-10) revealed that there was an excess disbursement of Rs. 9218,88,74,896 (Rs. 9218.89 crore) in four segments of four grants pertaining to Civil Ministries/Departments; Rs. 1929,61,23,832 (Rs. 1929.61 crore) in 12 segments of 11 Grants/Appropriations operated by the Ministry of Railways; Rs. 818,12,99,000* (Rs. 818.13 crore) in one segment of one Grant operated by the Department of Posts; and Rs. 2615,22,57,850 (Rs. 2615.23 crore) in three segments of two Grants operated by the Ministry of Defence. These are tabulated below:—

(in unit of Rs.)

Sl. No.	Name of Appropriation Accounts	No. of excess registering Grants/ Appropriations	No. of cases involved	Amount of excess expenditure incurred
1.	Civil	4	4	9218,88,74,896
2.	Defence Services	2	3	2615,22,57,850
3.	Postal Services	1	1	818,12,99,000*
4.	Railways	11	12	1929,61,23,832
	Total	18	20	14581,85,55,578*

* The Department of Posts *vide* their O.M. No 20-5/2009-BGT(PA)/9123-25 dated 2nd March, 2012 informed, after the presentation of the Report, that the amount of actual excess expenditure in Postal Services as shown in the last unit of Rupees was Rs. 818,12,99,976. Taking this correction into account, the total amount of excess expenditure incurred during the fiscal 2009-10 was Rs. 14581,85,56,554.

(a) Details of excess disbursement over Voted Grants/Charged Appropriations (2009-10)

11. The details of 18 Voted Grants/Charged Appropriations under which the actual expenditure had exceeded the sanctioned provision during the financial year 2009-10 as shown in the releant Union Government Appropriation Accounts are given below:—

(in unit of Rs.)

Sl. No.	No. & Name of Grant/ Appropriation	Administrative Ministry/ Department	Total Grant/ Appropriation (Original Grant/ Appropriation)	Actual Expenditure	Excess Expenditure	Percentage of excess expenditure over Total Grant/ Appropriation (Original Grant/ Appropriation)
1	2	3	4	5	6	7
I. Appropriation Accounts—Civil (Revenue Voted)						
1.	14—Department of Telecommunications	Communications and Information Technology	10765,87,00,000 (10150,00,00,000)	10853,68,60,488	87,81,60,488	0.82 (0.87)
2.	20—Ministry of Defence	Defence (Finance)	10822,35,00,000 (9895,93,00,000)	10917,66,73,097	95,31,73,097	0.88(0.96)
3.	21—Defence Pensions	Defence (Finance)	25999,75,00,000 (21789,75,00,000)	34999,29,01,305	8999,54,01,305	34.61(41.30)
4.	54—Other Expenditure of the Ministry of Home Affairs	Home Affairs	1361,47,00,000 (1353,54,00,000)	1397,68,40,006	36,21,40,006	2.66(2.68)
	Total (Civil)		48949,44,00,000 (43189,22,00,000)	58168,32,74,896	9218,88,74,896	18.83(21.35)

II. Appropriation Account—Defence Services (Revenue Voted)						
5.	22—Defence Services—Army	Defence	60252,53,00,000 (60252,53,00,000)	62716,64,11,895	2464,11,11,895	4.09(4.09)
6.	23—Defence Services—Navy	Defence	9435,70,00,000 (8402,38,00,000)	9586,21,03,457	150,51,03,457	1.60 (1.80)
	(Revenue Charged)					
7.	22—Defence Services—(Army)	Defence	20,09,00,000 (18,30,00,000)	20,69,42,498	60,42,498	3(3.30)
	Total (Defence)		69708,32,00,000 (68673,21,00,000)	72323,54,57,850	2615,22,57,850	3.75(3.81)
III. Appropriation Accounts—Postal Services (Revenue Voted)						
8.	13—Postal Services—	Communications and Information Technology	12526,70,00,000 (12090,10,00,000)	13344,82,99,000	818,12,99,000[1]	6.53(6.77)
IV. Appropriation Accounts— Railways (Revenue Voted)						
9.	04—Working Expenses—Repairs and Maintenance of Permanent Way and Works	Railways	7440,75,58,000 (6908,95,44,000)	7496,25,82,359	55,50,24,359*	0.75(0.80)
10.	05—Working Expenses—Repairs and Maintenance of Motive Powers	Railways	3388,32,41,000 (3306,66,63,000)	3479,19,71,288	90,87,30,288**	2.68(2.75)

1	2	3	4	5	6	7
11.	06—Working Expenses—Repairs and Maintenance of Carriages and Wagons	Railways	7692,48,75,000 (7425,45,47,000)	7857,06,14,230	164,57,39,230^	2.14(2.22)
12.	08—Operating Expenses-Rolling Stock and Equipment	Railways	5947,28,40,000 (5262,59,21,000)	5983,59,00,599	36,30,60,599^^	0.61(0.69)
13.	09—Working Expenses—Operating Expenses—Traffic	Railways	11819,90,61,000 (11181,65,72,000)	11843,33,75,471	23,43,14,471#	0.20(0.21)
14.	12—Miscellaneous Working Expenses	Railways	3157,64,58,000 (3157,64,58,000)	3177,23,12,173	19,58,54,173##	0.62(0.62)
15.	13—Working Expenses—Provident Fund, Pension & Other Retirement Benefits	Railways	15398,81,73,000 (14265,29,41,000)	16911,20,69,979	1512,38,96,979$	9.82(10.60)
16.	15—Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over Capitalisation	Railways	5538,83,00,000 (5479,22,00,000)	5543,34,03,762	4,51,03,762	0.08(0.08)
(Revenue Charged)						
17.	03—Working Expenses—General Superintendence and Services	Railways	10,58,000 (1,48,000)	34,79,286	24,21,286	228.86(1636.00)

18.	05—Working Expenses—Repairs and Maintenance of Motive Powers	Railways	Nil (Nil)	1,74,024	1,74,024	00
19.	10—Operating—Expenses Fuel	Railways	2,25,36,000 (Nil)	21,07,00,000	18,81,64,000$$	834.95(00)
	(Capital Charged)					
20.	16—Assets, Acquisition, Construction and Replacement	Railways	61,02,00,000 (45,52,00,000)	64,38,40,661	3,36,40,661©	5.51(7.39)
	Total (Railways)		60447,43,00,000 (57033,01,94,000)	62377,04,23,832	1929,61,23,832	3.19(3.38)
	Grand Total		191631,89,00,000 (180985,54,94,000)	206213,74,55,578	14581,85,55,578[1]	7.60(8.06)

* There was an excess expenditure of Rs. 55,50,24,359/-. However, taking into account the misclassification of Rs. (-) 1,00,42,724/-, the actual excess requiring regularization works out to Rs. 54,49,81,635/-.

** There was an excess expenditure of Rs. 90,87,30,288/-. However, taking into account the misclassification of Rs. (-) 2,16,02,446/-, the actual excess requiring regularization works out to Rs. 88,71,27,842/-.

^ There was an excess expenditure of Rs. 164,57,39,230/. However, taking into account the misclassification of Rs. (-) 3,37,33,837/-, the actual excess requiring regularization works out to Rs. 161,20,05,393/-.

^^ There was an excess expenditure of Rs. 36,30,60,599/-. However, taking into account the misclassification of Rs. (-) 1,09,82,967/-, the actual excess requiring regularization works out to Rs. 35,20,77,632/-.

There was an excess expenditure of Rs. 23,43,14,471/-. However, taking into account the misclassification of Rs. (+) 2,87,69,130/-, the actual excess requiring regularization works out to Rs. 26,30,83,601/-.

There was an excess expenditure of Rs. 19,58,54,173/-. However, taking into account the misclassification of Rs. (+) 20,28,81,145/-, the actual excess requiring regularization works out to Rs. 39,87,35,318/-.

$ There was an excess expenditure of Rs. 1512,38,96,979/-. However, taking into account the misclassification of Rs. (-) 12,46,284/-, the actual excess requiring regularization works out to Rs. 1512,26,50,695/-.

$$ There was an excess expenditure of Rs. 18,81,64,000/-. However, taking into account the misclassification of Rs. (-) 21,07,00,000/-, the excess turned into a saving of Rs. 2,25,36,000/-.

© There was an excess expenditure of Rs. 3,36,40,661/-. However, taking into account the misclassification of Rs. (-) 12,52,89,630/-, the excess turned into a saving of Rs. 9,16,48,969/-.

1. The Department of Posts *vide* their O.M. No. 20-5/2009-BGT(PA)/9123-25 dated 2nd March, 2012 informed, after the presentation of the Report, that the amount of actual excess expenditure Under Grant No. 13—Postal Services as shown in the last unit of Rupees was Rs. 818,12,99,976. Taking this correction into account, the total amount of excess expenditure incurred during the fiscal 2009-10 was Rs. 14581,85,56,554.

12. It is seen from the above that out of the total excess expenditure of Rs. 14581.86 crore incurred in all the 20 cases during the 2009-10 fiscal, Civil Sector accounted for about 63.22 per cent (Rs. 9218.89 crore) while Defence Services, Postal Services and Railways registered about 17.93 per cent (Rs. 2615.23 crore), 5.61 per cent (Rs. 818.13 crore) and 13.23 per cent (Rs. 1929.61 crore) respectively. In the Civil Sector as much as Rs. 8999.54 crores, *i.e.* 97.62 per cent of the total excess expenditure was incurred under Grant No. 21 (Revenue Voted)—Defence Pensions alone while Grant No. 14—Department of Telecommunications registered 0.95 per cent. Two other Grants—Grant No. 20—Ministry of Defence and Grant No. 54—Other Expenditure of the Ministry of Home Affairs accounted for 1.03 per cent and 0.39 per cent respectively. In the Defence Sector, Grant No. 22 (Revenue Voted)—Defence Services—Army accounted for 94.22 per cent (Rs. 2464.11 crore) of the total excess expenditure of Rs. 2615.23 crore incurred during the fiscal year under examination. Grant No. 23 (Revenue Voted)—Defence Services—Navy accounted for 5.76 per cent while Grant No. 22 (Revenue Charged)—Defence Services—Army recorded 0.02 per cent. As regards excess expenditure incurred under Grants/Appropriations operated by the Railways, out of the total excess expenditure of Rs. 1929.61 crore (before misclassification), about 94.50 per cent *i.e.* Rs. 1823.34 crore was incurred under 4 Grants only *i.e.* (i) Grant No. 4—Working Expenses—Repairs and Maintenance of Permanent Way and Works; (ii) Grant No. 5—Working Expenses—Repairs and Maintenance of Motive Powers; (iii) Grant No. 6—Working Expenses—Repairs and Maintenance of Carriages and Wagons; and (iv) Grant No. 13—Working Expenses—Provident Fund, Pension and other Retirement Benefits.

(b) Actual excess expenditure incurred by the Ministry of Railways

13. A comparative scrutiny of the Union Government Appropriation Accounts (Railways) 2009-10 and the Explanatory Note furnished by the Ministry of Railways indicating the detailed reasons for excess expenditure incurred by them over Voted Grants/Charged Appropriations during 2009-10 revealed that there were seven cases of misclassification of expenditure *i.e.* (i) Rs. (-) 1,00,42,724 under Grant No. 4 (Revenue Voted)—Working Expenses—Repairs and Maintenances of Permanent—Way and Works; (ii) Rs. (-) 2,16,02,446 under Grant No. 5 (Revenue Voted)—Working Expenses—Repairs and Maintenance of Motive Powers; (iii) Rs. (-) 3,37,33,837 under Grant No. 6 (Revenue Voted)—Working Expenses—Repairs and Maintenance of Carriages and Wagons; (iv) Rs. (-) 1,09,82,967 under Grant No. 8 (Revenue Voted)—Operating Expenses—Rolling Stock and Equipment; (v) Rs. (+) 2,87,69,130 under Grant No. 9 (Revenue Voted)—Working Expenses—Operating Expenses—Traffic; (vi) Rs. (+) 20,28,81,145 under Grant No. 12 (Revenue Voted)—Miscellaneous Working Expenses; and (vii) Rs. (-) 12,46,284 under Grant No. 13 (Revenue Voted)—Working Expenses—Provident Fund, Pension and other Retirement Benefits. Taking into account the effect of these seven cases of misclassification, the actual excess expenditure relating to the Ministry of Railways works out to Rs. 1922,83,61,188 instead of Rs. 1929,61,23,832 as indicated in Indian Railways Appropriation Accounts (2009-10).

(c) Total actual excess expenditure for the financial year 2009-10 requiring regularization under Article 115(1)(b) of the Constitution

14. Thus, the total amount of actual excess expenditure incurred during the financial year 2009-10, which requires regularization by the Parliament under Article 115(1)(b) of

the Constitution is of the order of Rs. 14575,07,92,934* involved in 18 cases of 16 excess registering Grants/Appropriations.

(d) Excess expenditure despite obtaining Supplementary Grants

15. During the financial year 2009-10, out of the 18 cases of excess registering Grants/Appropriations, the excess occurred even after obtaining Supplementary Grants Appropriations in the following 15 cases:—

(Rs. in thousands)

Sl. No.	No. & Name of Grant/ Appropriation	Amount of Supplementary Grant/ Appropriation obtained	Amount of excess expenditure incurred	Percentage of excess over Supplementary Grants
1	2	3	4	5
I. Appropriation Accounts (Civil) (Revenue Voted)				
1.	14—Department of Telecommunications	615,87,00	87,81,61	14.26
2.	20—Ministry of Defence	926,42,00	95,31,73	10.29
3.	21—Defence Pensions	4210,00,00	8999,54,01	213.77
4.	54—Other Expenditure of the Ministry of Home Affairs	7,93,00	36,21,40	556.67
	Total (Civil)	5760,22,00	9218,88,75	160.04
II. Appropriation Accounts (Defence Services) (Revenue Voted)				
5.	23— Defence Services—Navy	1033,32,00	150,51,03	14.57
(Revenue Charged)				
6.	22—Defence Services—Army	1,79,00	60,43	33.76
	Total (Defence Services)	1035,11,00	151,11,46	14.60
III. Appropriation Accounts (Postal Services)				
7.	13—Postal Services	436,60,00	818,12,99	187.39
IV. Appropriation Accounts (Railways)				
(a) Voted Grants				
8.	4—Working Expenses— Repairs & Maintenance of Permanent Way and Works	531,80,14	54,49,82	10.25

* The Department of Posts *vide* their O.M. No. 20-5/2009-BGT (PA) 9123-25 dated 2nd March, 2012 informed, after the presentation of the Report, that the amount of actual excess expenditure under Grant No. 13-Postal Services as shown in the last unit of Rupees was Rs. 818,12,99,976 instead of Rs. 818, 12,99,000. Taking this correction into account, the total amount of actual excess expenditure incurred during the financial year 2009-10 which requires regulation by the Parliament under Article 115(1) (b) of the Constitution is of the order of Rs. 14575,07,93,910.

1	2	3	4	5
9.	5—Working Expenses—Repairs & Maintenance of Motive Powers	81,65,78	88,71,28	108.64
10.	6—Working Expenses—Repairs & Maintenance of Carriages and Wagons	267,03,28	161,20,05	60.37
11.	8— Operating Expenses—Rolling Stock and Equipment	6,84,69,19	35,20,78	5.14
12.	9— Working Expenses—Operating Expenses—Traffic	638,24,89	26,30,84	4,12
13.	13—Working Expenses—Provident Fund, Pension and other Retirement Benefits	1133,52,32	1512,26,51	133.41
14.	15—Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortisation of Over-Capitalisation	59,61,00	4,51,04	7.57
	(b) Charged Appropriation			
15.	3—Working Expenses—General Superintendence and Services	9,10	24,21	266.04
	Total (Railways)	3396,65,70	1882,94,53	55.44
	Grand Total	10628,58,70	12071,07,73	113.57

16. Scrutiny of the above Statement has revealed that in the fiscal year 2009-10, relatively huge amounts of excess expenditure were incurred even after obtaining large sums of Supplementary Grants. Supplementary Grants to the tune of Rs. 5760.22 crore was allocated for the excess registering Grants operated by the Civil Ministries but this fell short by Rs. 9218.89 crore. In Defence Sector, Supplementary Grants to the tune of Rs. 1035.11 crore was allocated for two excess registering Grants yet an excess expenditure of Rs. 151.11 crore was incurred. In the Postal Sector, a Supplementary Grant of Rs.436.60 crore proved inadequate by Rs. 818.13 crore. In respect of the Railways, out of the total 9 excess registering Grants/Appropriations during the fiscal year, 8 were such cases where large sums of Supplementary Grants totalling about Rs. 3396.66 crore proved quite inadequate to meet the actual expenditure which required Rs. 1882.95 crore more.

(e) Recurring excess expenditure

17. The Committee's examination has revealed that incurring of excess expenditure by Ministries/Departments over and above the Original Grants/Appropriations sanctioned by the Parliament has become a recurring phenomenon in the Government budgetary exercise over the years. The following table compares the number of excess registering Grants/Appropriations in each of the four Appropriation Accounts during the last ten financial years *i.e.* from 2000-01 to 2009-10:—

(Rs. in crore)

Year	Appropriation Accounts —Civil		Appropriation Accounts —Defence Services		Appropriation Accounts —Postal Services		Appropriation Accounts —Railways			
	No. of Excess registering Grants/ Appropri-ations	Excess expendit-ure incurred	No. of Excess registering Grants/ Appropri-ations	Excess expendit-ure incurred	No. of Excess registering Grants/ Appropri-ations	Excess expenditure incurred	No. of Excess registering Grants/ Appropri-ations	Excess expendit-ure incurred	Total of Columns 2, 4 , 6, 8	Total of Columns 3, 5, 7, 9
1	2	3	4	5	6	7	8	9	10	11
2000-01	1	0.44	1	229.70	1	0.17	5	0.14	08	230.45
2001-02	5	878.67	-	-	1	0.16		210.71	14	1089.54
2002-03	8	1864.47	-	-	-	-	11	323.65	19	2188.12
2003-04	7	42190.20	1	37.50	-	-	9	1136.92	17	43364.62
2004-05	3	33784.53	2	41.99	1	0.04	10	2151.99	16	35978.56
2005-06	8	97062.69	2	44.84	1	97.65	11	2322.46	22	99527.64
2006-07	4	36637.20	1	667.17	-	-	8	365.16	13	37669.53
2007-08	4	100.14	1	71.19	1	0.02	8	51.22	14	222.57
2008-09	4	270.21	2	742.61	-	-	8	532.12	14	1544.94
2009-10 (Year under review)	4	9218.89	2	2615.23	1	818.13		1922.84	16	14579.11

18. It is seen from above that the various Civil Ministries/Departments and the Ministry of Railways have been incurring large amount of excess expenditure continuously during the last ten fiscal years. The quantum of excess expenditure incurred by various Ministries/Departments had grown manifold from Rs. 230.45 crore in 2000-01 to Rs. 99527.64 crore in 2005-06, though there had been a brief declining trend during the financial years 2006-07 and 2007-08. However, the last two fiscals again saw sharp rise in the quantum of excess expenditure. It is further revealed that the Ministry of Railways had been incurring huge sums of expenditure in 50 per cent or more of the total Grants/Appropriations operated by them during the financial years 2001-02 to 2009-10. There had also been unabated excess expenditure by the Ministry of Defence during the last seven fiscals. The year under review also saw a sudden spurt in excess expenditure incurred by the Department of Posts.

(f) Recurring excess expenditure by the Ministry of Defence

19. Scrutiny of Appropriation Accounts (Civil) and Appropriation Accounts (Defence Services) for the last seven financial years *i.e.* 2003-04 to 2009-10 indicates that the Ministry of Defence had been incurring recurring excess expenditure under the Grants/Appropriations operated by them as detailed below:—

(in unit of Rs.)

Sl. No.	Year	No. & Name of Grant/Appropriation	Amount of Excess Expenditure
1.	2003-04	24—Defence Ordnance Factories (Revenue Voted)	37,50,27,533
2.	2004-05	26—Defence Ordnance Factories (Revenue Voted)	40,00,08,594
		27—Defence Services Research and Development (Revenue Voted)	1,99,23,373
3.	2005-06	23—Defence Services—Army (Revenue Charged)	2,08,34,112
		25—Defence Services—Air Force (Revenue Voted)	42,75,63,997
4.	2006-07	22—Defence Services—Army (Revenue Voted)	667,16,95,590
5.	2007-08	22—Defence Services—Army (Revenue Voted)	71,18,78,075
6.	2008-09	19—Ministry of Defence (Revenue Voted)	27,49,86,122
		22—Defence Services—Army (Revenue Voted)	13,32,985
		23—Defence Services—Air Force (Revenue Voted)	610,36,59,389
		24—Defence Ordnance Factories (Revenue Voted)	132,24,87,268
7.	2009-10 (year under review)	20—Ministry of Defence (Revenue Voted)	95,31,73,097
		21—Defence Pensions (Revenue Voted)	8999,54,01,305
		22—Defence Services—Army (Revenue Voted)	2464,11,11,895
		23—Defence Services—Navy (Revenue Voted)	150,51,03,457
		22—Defence Services—Army (Revenue Charged)	60,42,498

C. DELAY IN PRESENTATION OF APPROPRIATION ACCOUNTS—RAILWAYS (2009-10)

20. The Appropriation Accounts relating to Civil, Defence Services for the financial year 2009-10 were presented to Parliament on 18.03.2011. However, the Appropriation Accounts—Railways (2009-10) could be presented to Parliament only on 05.08.2011 after a delay of 4 months and 18 days. In the preceding years also, the Appropriation Accounts—Railways (2007-08) and the Appropriation Accounts—Railways (2006-07) were presented to Parliament after a delay of more than 5 months and 10 months respectively which resulted in delay in the finalization of the Public Accounts Committee's Seventh Report (15th Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (2007-08)" and Eightieth Report (14th Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (2006-07)". This in turn had delayed the regularization of excess expenditure incurred during those financial years. In paragraph 57 of the Eightieth Report (14th Lok Sabha), the Committee had urged upon the Ministry of Railways and the Ministry of Finance to take necessary remedial measures to ensure timely presentation of the Appropriation Accounts especially the Appropriation Accounts—Railways. Further, in paragraph 52 of the Seventh Report (15th Lok Sabha), the Committee had recommended the Ministry of Railways to take urgent necessary and corrective action to timely present the Appropriation Accounts—Railways to Parliament so that regularization of excess expenditure incurred during a particular financial year can be done promptly. Despite this, the dealy in the presentation of Appropriation Accounts (Railways) again happened.

D. DELAY IN FURNISHING EXPLANATORY NOTES

21. As per the Recommendation of the Public Accounts Committee *vide* paragraph 8.3 of their 23rd Report (13th Lok Sabha), the concerned Ministries/ Departments were required to forward the Explanatory Notes on excess expenditure incurred by them to the Ministry of Finance, starting from the financial year 2001-02 onwards, within such a time limit that these Explanatory Notes could be made simultaneously available along with the Appropriation Accounts to the Public Accounts Committee. Pursuant to this prescribed procedure/time schedule, the concerned Ministries/Departments of Government of India are required to submit to the Public Accounts Committee, the Explanatory Notes in respect of excess registering Grants/ Appropriations immediately after the presentation of the relevant Appropriation Accounts to the Parliament. Since the Appropriation Accounts (Civil), the Appropriation Accounts (Defence Services) and the Appropriation Accounts (Postal Services) for the year 2009-10 were presented to the House on 18.03.2011, the Explanatory Notes in respect of excess registering Grants/Appropriations during 2009-10 as revealed in the Appropriation Accounts became due for submission on or before 18.03.2011. Similarly, the Explanatory Notes pertaining to the excess registering Grants/Appropriations as highlighted in the Appropriation Accounts (Railways) for the year 2009-10 were due for submission by 05.08.2011 *i.e.* the date of the presentation of the Appropriation Accounts. However, it is seen from the following data that some of the excess registering Ministries/Departments during the fiscal year 2009-10 failed to furnish their Explanatory

Notes within the prescribed time:—

Sl. No.	Grant/Appropriation and the Ministry concerned	Due date for submission of Explanatory Notes (On or before)	Date of furnishing Explanatory Notes to the Committee	Period of delay
1.	14—Department of Telecommunications (Ministry of Communications and Information Technology)	18.03.2011	25.11.2010	Nil
2.	20—Ministry of Defence (Ministry of Defence)	18.03.2011	09.02.2011	Nil
3.	21—Defence Pensions (Ministry of Defence)	18.03.2011	09.02.2011	Nil
4.	54—Other Expenditure of the Ministry of Home Affairs	18.03.2011	02.06.2011	2 months 16 days
5.	22—Defence Services—Army (Ministry of Defence)	18.03.2011	06.06.2011	2 months 20 days
6.	23—Defence Services—Navy (Ministry of Defence)	18.03.2011	06.06.2011	2 months 20 days
7.	13—Postal Services (Ministry of Communications and Information Technology)	18.03.2011	06.04.2011	20 days
8.	Grant Nos. 4, 5, 6, 8, 9, 12, 13, 15 and Appropriation Nos. 3 and 5 (Ministry of Railways)	05.08.2011	05.08.2011	Nil

22. Thus it may be seen that the Ministries of Home Affairs and Defence furnished their Explanatory Notes after a delay of 2 months 16 days and 2 months 20 days respectively.

23. The Explanatory Notes as furnished by the Ministries/Departments concerned for regularization of the excess expenditure incurred during the financial year 2009-10 have been reproduced at ***Annexures I to VIII*** to this Report.

E. EXAMINATION OF SELECT CASES OF EXCESS EXPENDITURE

24. In the succeeding paragraphs, the Committee have dealt with some of the prominent cases involving excess expenditure during the financial year 2009-10 in the light of the facts brought out in the relevant Appropriation Accounts, Audit observations thereon and the Explanatory Notes furnished by the concerned Ministries/Departments.

(a) Appropriation Accounts — Civil (2009-10)

25. An excess disbursement of Rs. 9218.89 crore was incurred in four cases of four Grants pertaining to the Civil Ministries during the financial year 2009-10. The Grant-wise

details and the contributory reasons as stated by the Ministry concerned are as follows:—

Sl. No.	Grant and the Ministry/ Deptt. concerned	Excess expenditure incurred (Rs. in crore)	Contributory reasons as stated by the Government
1.	14—Department of Telecommunications (Ministry of Communications and Information Technology)	87.82	Due to implementation of the 6th Central Pay Commission Report.
2.	20—Ministry of Defence (Ministry of Defence)	95.32	Due to setting up of regional Armed Forces Tribunal Branches at various stations, implementation of the 6th Central Pay Commission Report, procurement of stores, additional movement of troops, more demand and supply of stores to units owing to their involvement in counter insurgency operations etc.
3.	21—Defence Pensions (Ministry of Defence)	8999.54	Due to payment of revised pension at higher rates under the 6th Central Pay Commission Report than assessed, booking of pending pension scrolls received from banks, etc.
4.	54—Other Expenditure of the Ministry of Home Affairs) (Ministry of Home Affairs)	36.21	Due to requirement of additional funds to meet the cost of increase in pension and dearness relief and release of pension to freedom fighters and their dependents on various liberation movements.

26. The above Statement depicts that more than 98.65 per cent (Rs. 9094.86 crore) of the total excess expenditure of Rs. 9218.89 crore in the Civil Sector was incurred by the Ministry of Defence as fallout of the implementation of the 6th Central Pay Commission recommendations. Of the remaining amount, Rs. 87.82 crore was incurred by the Ministry of Communications and Information Technology (Department of Telecommunications) on account of the implementation of the recommendations of the 6th Central Pay Commission, Rs. 36.21 crore was incurred by the Ministry of Home Affairs due to increase in pension and dearness relief and release of pension to freedom fighters and their dependents.

(i) Grant No. 21 (Revenue-Voted)—Defence Pensions

27. Under Revenue Section (Voted) of Grant No. 21—Defence Pensions, the Original provision was Rs. 21789.75 crore. This was augmented to Rs. 25999.75 crore by obtaining Supplementary Grant of Rs. 4210.00 crore. Against this, an expenditure of Rs. 34999.29 crore was incurred resulting in excess of Rs. 8999.54 crore. The Explanatory Note furnished by the Ministry of Defence in this regard has been reproduced in ***Annexure III*** to this Report.

28. Scrutiny of the Explanatory Note furnished by the Ministry of Defence revealed that the excess expenditure under this Grant was the net effect of total excess of Rs. 9062.60 crore and total savings of Rs. 63.06 crore under various sub-heads of this

Grant. Some of the prominent sub-heads under which the excess expenditure occurred and reasons therefor are given below:—

Sl. No.	Sub-Head	Amount of Excess expenditure (Rs. in crore)	Contributory reasons as stated by the Ministry
1.	2071.02-Defence (SMH) 2071.02.101-Army (Minor Head) 2071.02.101.01 Pension and other Retirement Benefits (Sub-Head)	8175.22	Due to payment of revised pension at higher rate under the 6th Central Pay Commission than assessed and booking of pending Pension Scrolls received from Banks to clear amount under suspense.
2.	2071.02-Defence (SMH) 2071.02.102-Navy (Minor Head) 2071.02.102.01-Pension and other Retirement Benefits (Sub-Head)	325.73	-do-
3.	2071.02-Defence (SMH) 2071.02.103-Air Force (Minor Head) 2071.02-103.01-Pension and other Retirement Benefits (sub-Head)	561.65	-do-

29. As remedial action taken in this regard, the Ministry of Defence stated in their Explanatory Note as under:—

> "Necessary instructions have been issued *vide* ID. No. 2(6)/MO/2009-10 dated 29.06.2010 to all concerned to prepare their Budgetary Proposals on realistic basis taking into consideration all the related such as commitments, trend of expenditure and the anticipated expenses and to an optimum level necessary remedial measures/corrective action should be taken promptly."

30. In this context, it may be pointed out that the Committee's examination of the Appropriation Accounts (Civil) for the year 2008-09 had also revealed a similar situation under this Grant where the budgetary provision was inadequate resulting in excess expenditure of Rs. 13.33 lakh.

(b) Appropriation Accounts—Defence Services (2009-10)

(i) Grant No. 22 (Revenue-Voted)—Defence Services—Army

31. Under Revenue Section (Voted) of Grant No. 22—Defence Services—Army; the total provision was Rs. 60252.53 crore. Against this an expenditure of Rs. 62716.64 crore was incurred resulting in an excess expenditure of Rs. 2464.11 crore. The Explanatory Note furnished by the Ministry of Defence in this regard has been reproduced in ***Annexure V*** to this Report.

32. Scrutiny of the Explanatory Note furnished by the Ministry of Defence revealed that the excess expenditure under this Grant was the net effect of total excesses of Rs. 3596.80 crore and total savings of Rs. 294.36 crore under various sub-heads of the Grant as well as surrender of Rs. 838.33 crore. The Sub-Heads under which excess of

Rs. 5 lakh and above occurred and reasons therefor are explained below:—

Sl. No.	Sub-Head (Major Head-2076)	Amount of Excess expenditure (Rs. in crore)	Contributory reasons as stated by the Ministry
1.	Minor Head-101	3145.82	Due to difference in the actual strength of officers/ Personnel Below Officers Rank (PBOR) and the strength figure provided by Management Information System Organisation (MISO), reinstatement of the boarded out Low Medical Category (LMC) personnel on account of court judgement.
2.	Minor Head-103	17.90	Due to increased expenditure due to enhancement of Dearness Allowance (DA) and embodiment of Territorial Army for PM's Territorial Army Day Parade 2009-10 (Diamond Jubilee).
3.	Minor Head-104	130.90	Due to payment of second instalment of pay arrears of the 6th Central Pay Commission.
4.	Minor Head-105	154.94	Due to upward revision of travel entitlements after the 6th Central Pay Commission.
5.	Minor Head-106	4.94	Due to less allotment of budget during the year.
6.	Minor Head-107	2.04	Due to erroneous excess booking by Controller General of Defence Accounts (CGDA).
7.	Minor Head-109	39.39	Due to payment of arrears of pay and allowances, spillover of expenditure from previous year and due to proof expenditure.
8.	Minor Head-113	100.87	Due to implementation of the recommendations of the 6th Central Pay Commission, rollover of procurement cycle of stores to the next financial year, book adjustment of previous year expenditure and heavy booking in the month of March 2010.

33. Apprising the Committee of the remedial action taken by them, the Ministry of Defence stated in their Explanatory Note as under:—

"Respective budget holders have been instructed to formulate the Budget estimates on most realistic basis and to keep the expenditure under constant review by monitoring it regularly with reference to the allocations made and to ensure that there is neither any excess nor large scale savings over the sanctioned budgetary provisions.

In order to avoid recurrence of any excess, instructions have been issued to all concerned emphasizing the need to follow the instructions issued on the subject more scrupulously and to monitor the progress of expenditure in a stricter manner apart from projecting the demands on factual basis and to the barest minimum depending on the actual requirements/obligations. To this end, Service HQrs/ Deptt. have also been requested to issue necessary instructions to all budget controlling authorities in their lower formations to follow the instructions issued on the subject meticulously so as to avoid and saving/excess.

Earlier, instructions were issued *vide* MoD (Fin.) ID No. 17(1)/B-I/1999 Dated 13.12.2005 and 27.1.2006 (copies enclosed) to monitor the progress of

Defence Expenditure at all levels to avoid any large scale savings or excesses. In addition, Inter Departmental Monitoring Groups headed by FA (Acq.) in respect of Acquisition Heads and Addl. FAs in respect of other Heads have been requested *vide* MoD (Fin) ID No. 17(3)/B-I/2004 Dated 01.08.2007, 25.09.2009 and 31.05.2010 (copies enclosed) to hold regular meetings so as to prevent occurrence of excesses/savings under various Heads and rush of expenditure towards the end of financial year.

F.A. (Acq.) and all Addl. F.A.s, as also the Services HQrs have been requested *vide* Min of Def (Fin) ID No. 17(3)/B-I/2004 Dated 24.7.2006 and ID No. 10(7)/ Bud.-I/2007 Dated 09.09.2008 (copies enclosed) to ensure the progress of expenditure to the tune of 67% of the BE allocation by December as directed by Finance Minister. It has also been advised that for Supplementary Demands for Grants, the amount of supplementary demand may be assessed realistically so that the amount of Supplementary Demand neither falls short of the actual requirement resulting in excess expenditure, nor the amount is drawn in excess of the requirement resulting finally in surrender of the amount of supplementary. These instructions have also been reiterated *vide* MoD (Fin.) I.D. No. 1(4)/Bud.-1/2011 dated 24.03.2011."

34. It is pertinent to mention that the Committee's examination of the Appropriation Accounts of the Defence Services for the years 2005-06, 2006-07 and 2007-08 had also revealed a similar situation under this Grant where the budgetary provisions were inadequate resulting in large sums of excess expenditure as shown in paragraph 19 above.

(ii) Grant No. 23 (Revenue-Voted) — Defence Services — Navy

35. Under Revenue Section (Voted) of Grant No. 23 — Defence Services — Navy, the Original Grant was Rs. 8402.38 crore. This was augmented to Rs. 9435.70 crore by obtaining a Supplementary Grant of Rs. 1033.32 crore. Against this, the actual expenditure incurred was Rs. 9586.21 crore resulting in an excess expenditure of Rs. 150.51 crore. The Explanatory Note furnished by the Ministry of Defence in respect of excess expenditure under this Grant has been reproduced at ***Annexure VI*** to this Report.

36. The Committee's examination of the Explanatory Note has revealed that the excess of Rs. 150.51 crore was the net effect of total excesses of Rs. 150.93 crore and total savings of Rs. 0.42 crore under various sub-heads of the Grant. The sub-heads under which excess of Rs. 5 lakh and above occurred and reasons therefor are explained below:—

Sl. No.	Sub-Head (Major Head-2077)	Amount of Excess expenditure (Rs. in crore)	Contributory reasons as stated by the Ministry
1	2	3	4
1.	Minor Head-101	15.85	Due to less than required allocation at Revised Estimate 9-10 stage
2.	Minor Head-104	42.18	Due to less than required allocation at Revised Estimate 9-10 stage

1	2	3	4
3.	Minor Head-105	17.54	Due to operational necessity to hire boats for coastal security and variation in advance drawn by personnel for moves and amount claimed post the 6th Central Pay Commission entitlements
4.	Minor Head-106	6.52	Due to incurring committed liabilities in Financial Year 2009-10
5.	Minor Head-110	32.13	Due to booking of Coast Guard and BSF fuel bills against Naval budget by Controller of Defence Accounts (CDAs)
6.	Minor Head-111	2.95	Due to paying of liabilities already incurred by comands based on Budgetary Estimate allocations
7.	Minor Head-800	33.77	Due to additional payments for pilots training in USA due to freshly concluded agreement not allocated in projections

37. As remedial action taken in this regard, the Ministry have furnished the same information/reply as stated in paragraph 35 above.

(c) Appropriation Accounts — Postal Services (2009-10)

38. Against the Original Grant of Rs. 12090.10 crore which was augmented to Rs. 12526.70 crore through Supplementary Grant of Rs. 436.60 crore, the Department of Posts incurred an expenditure of Rs. 13344.83 crore in the Revenue Section (Voted) of Grant No. 13 — Postal Sevices during 2009-10 resulting in an excess expenditure of Rs. 818.13 crore. The Explanatory Note furnished by the Ministry of Communications and Information Technology (Department of Posts) in this regard has been reproduced in ***Annexure VII*** to this Report.

39. The sub-heads under which large sums of excess occurred and reasons therefor are explained below:—

Sl. No.	Sub-Head (Major Head-3201)	Amount of Excess expenditure (Rs. in crore)	Contributory reasons as stated by the Ministry
1	2	3	4
1.	3201-01-101-03 Postal Divisions	12.30	Due to increase in rate of claims and hike in DA
2.	3201-02-101-01 Existing Post Offices	247.81	Due to increase in rate of claims and hike in DA
3.	3201-02-101-10 GDS	163.41	Due to implementation of GDS Committee Report, normal increase in Pay and DA hike
4.	3201-02-104-05 other items	65.24	Due to avaiting of clearance of expenditure on account of NREGA from the Ministry of Rural Development
5.	3201-04-102-02 PAO circle	43.14	Due to increase in rate of claims and normal increase of Pay and DA hike
6.	3201-07-101-01 Superannuation and Retirement Allowances	268.82	Due to increase in rate of claims/benefits and DA hike

1	2	3	4
7.	3201-07-102 Commuted Value of Pension	24.33	Due to increase in rate of claims/benefits and DA hike
8.	3201-07-104 Gratuities	31.70	Due to increase in rate of claims/benefits and DA hike
9.	3201-07-108 Leave encashment benefits	13.15	Due to increase in rate of claims
10.	3201-07-110 Government contribution to Defined Pension Scheme	10.31	Due to increase in number of employees covered under the new Scheme

40. As remedial action taken in this regard, the Ministry of Communications and Information Technology (Department of Posts) stated in their Explanatory Note as under:—

> "Instructions are issued to the circles/units to guard against such type of financial irregularities and keep the expenditure within the allotment and project the demand for fund realistically."

(d) Appropriation Accounts — Railways (2009-10)

41. During the financial year 2009-10, the Ministry of Railways incurred an excess expenditure of Rs. 1922.84 crore in 10 cases of 9 excess registering Grants/ Appropriations. The details of these excess registering Grants/appropriations have already been given in Paragraph 11 of this Report. The Committee's examinations has revealed that in eight Revenue Voted Grants, the actual expenditure of Rs. 62291.22 crore exceeded the approved provisions by Rs. 1907.17 crore. In respect of two Revenue Charged Appropriations, expenditure of Rs. 36.53 lakhs was in excess of the sanctioned provisons by Rs. 25.95 lakh. The Explanatory Note furnished by the Ministry of Railways in this regard has been reproduced in ***Annexure VIII*** to this Report.

42. Scrutiny of the Explanatory Note revealed that out of the total excess expenditure of Rs. 1922.84 crore (after misclassification), the bulk of the excess expenditure *i.e.* 1816.68 crore constituting 94.48 per cent was incurred under 4 Grants only *i.e.* (i) Grant No. 4 — Working Expenses — Repairs and Maintenance of Permanent — Way and Works (Rs. 54.50 crore); (ii) Grant No. 5 — Working Expenses — Repairs and Maintenance of Motive Powers (Rs. 88.71 crore); (iii) Grant No. 6 — Working Expenses— Repairs and Maintenance of Carriages and Wagons (Rs. 161.20 crore); and (iv) Grant No. 13 — Working Expenses — Provident Fund, Pension and Other Retirement Benefits (Rs. 1512.27 crore).

(i) Grant No. 4 — Working Expenses — Repairs and Maintenance of Permanent Way and Works

43. Under Grant No. 4 — Working Expenses — Repairs and Maintenance of Permanent Way and Works, the Ministry of Railways obtain an Original Grant of Rs. 6908.95 crore at the Budget Estimate stage. Subsequently, a Supplementary Grant of Rs. 531.80 crore was obtained in March 2010 for higher payment of salary, dearness

allowances and other staff cost increased due to implementation of the 6th Central Pay Commission Recommendation. Against this total Grant of Rs. 7440.76 crore, the actual expenditure was Rs. 7496.26 crore thereby registering an excess expenditure of Rs. 55.50 crore. However, as there was a net effect of Rs. (-) 1.00 crore on account of misclassification of expenditure, the excess expenditure thus worked out to Rs. 54.50 crore. (This amount is after deducting savings amounting to Rs. 96.22 crore registered under three Minor-Heads of this Grant which partially offset the gross excess amount).

44. Scrutiny of the Explanatory Note furnished by the Ministry of Railways revealed that the excess expenditure mainly occurred under the following Minor Heads:—

(a) Establishment in Offices (100) (Rs. 40.62 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of the recommendations of the 6th Central Pay Commission;

(b) Maintenance of Permanent Way (200) (Rs. 95.52 crore), mainly due to incurrence of more expenditure towards staff cost, materialisation of more contractual obligations and more direct purchases, than anticipated;

(c) Water Supply, Sanitation and Roads (Other than Colonies, Staff Quarters and Welfare Buildings) (500) (Rs. 7.66 crore), mainly due to incurrence of more expenditure towards staff cost, more direct purchases and materialisation of more contractual payments, than anticipated; and

(d) Other Repairs and Maintenance (600) (Rs. 7.92 crore) mainly due to more expenditure towards plantation of trees, nursery, more contractual payments and incurrence of more miscellaneous expenses, than anticpated.

45. In this context, it may be pointed out that the Committee's examination of the Appropriation Accounts (Railways) for the year 2008-09 and the Explanatory Note submitted by the Ministry of Railways had also revealed a similar situation under this Grant where the budgetary provision was inadequate resulting in excess expenditure of Rs. 106.58 crore.

(ii) Grant No. 5 — Working Expenses — Repairs and Maintenance of Motive Powers

46. Under Grant No. 5 — Working Expenses — Repairs and Maintenance of Motive Powers, an Original Grant of Rs. 3306.67 crore was obtained at the Budget Estimate stage. Subsequently, a Supplementary Grant of Rs. 81.66 crore was obtained in March 2010 for higher payment of salary, dearness allowance and other stafff cost increased due to implementation of the recommendations of the 6th Central Pay Commission. Against this total provision of Rs. 3388.32 crore, the actual expenditure incurred was Rs. 3479.20 crore thereby registering an excess expenditure of Rs. 90.87 crore. However, as there was a net effect of Rs. (-)2.16 crore on account of misclassification of expenditure, the excess amount worked out to Rs. 88.71 crore (This amount is after deducting savings amounting to Rs. 26.52 crore registered under two Minor-Heads of this Grant, which partially offset the gross excess amount).

47. Scrutiny of the explanatory Note furnished by the Ministry of Railways revealed that the excess expenditure mainly occurred under the following Minor-Heads:—

(a) Establishment in Offices (100) (Rs. 34.23 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of 6th Pay Commission;

(b) Diesel Locomotives (300) (Rs. 50.79 crore), mainly due to more expenditure towards staff cost, more drawal of stores from stock, more contractual payments and adjustment of more debits, than anticipated; and

(c) Electric Locomotives (500) (Rs. 32.37 crore), mainly due to more drawal of stores from stock, more direct purchases, more adjustment of wages and materials on POH and also due to materialisation of more contractual payments, than anticipated.

48. It is pertinent to mention that the Committee's examination of the Appropriation Accounts (Railways) for the year 2008-09 and the Explanatory Note submitted by the Ministry of Railways had also revealed a similar situation under this Grant where the budgetary provision was inadequate resulting in excess expenditure of Rs. 103.09 crore.

(iii) Grant No. 6—Working Expenses—Repairs and Maintenance of Carriages and Wagons

49. Under Grant No. 6—Working Expenses—Repairs and Maintenance of Carriages and Wagons, the Ministry of Railways incurred an actual expenditure of Rs. 7857.06 crore against the total Grant of Rs. 7692.49 crore which was augmented from an Original Grant of Rs. 7425.45 crore (at the Budget Estimate stage) through a Supplementary Grant of Rs. 267.03 crore in March 2010 mainly to pay higher staff cost due to implementation of the recommendations of the 6th Central Pay Commission. This resulted in an excess expenditure of Rs. 164.57 crore. As there was a net effect of Rs. (-) 3.37 crore on account of misclassification of expenditure, the actual excess worked out to Rs. 161.20 crore. (This amount is after deducting savings amounting to Rs. 32.59 crore registered under two Minor Heads of this Grant which partially offset the gross excess amount).

50. Scrutiny of the Explanatory Note from the Ministry revealed that the excess mainly occurred under the following Minor Heads:—

(a) Establishment in Offices (100) (Rs. 38.56 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of 6th Pay Commission;

(b) Carriages (200) (Rs. 61.93 crore), mainly due to more drawal of stores from stock, more direct purchases, materialization of more contractual payments, incurrence of more expenditure towards wages and material on Periodical Over Hauling (POH), activities and adjustments of more workshop debits, than anticipated;

(c) Wagons (300) (Rs. 24.21 crore), mainly towards increased staff cost on account of implementation of 6th Pay Commission, more drawal of stores from stock and adjustment of more workshop debits, than anticipated;

(d) Electric Multiple Unit Coaches (400) (Rs. 24.88 crore), mainly due to more adjustment on wages (POH) and material (POH) due to increase in POH activities, more drawal of stores from stock and more direct purchases, than anticipated; and

(e) Electrical General Services—Train lighting, Fans and Air-conditioning (500) (Rs. 47.58 crore), mainly towards staff cost due to implementation of 6th Pay Commission, more drawal of stores from stock, more direct purchases, adjustment of more debits and materialisation of more contractual obligations, than anticipated.

51. In this context, it may be pointed out that the Committee's examination of the Appropriation Accounts (Railways) for the year 2008-09 and the Explanatory Note submitted by the Ministry of Railways had also revealed a similar situation under this Grant where the budgetary provision was inadequate resulting in excess expenditure of Rs. 157.25 crore.

(iv) Grant No. 13—Working Expenses—Provident Fund, Pension and other Retirement Benefits

52. Under Grant No. 13—Working Expenses—Provident Fund, Pension and other Retirement Benefits, an Original Grant of Rs. 14265.29 crore was obtained at the Budget Estimate stage. Subsequently, a Supplementary Grant of Rs. 1133.52 crore was obtained in March 2010 mainly for meeting the increased pensionary charges following implementation of the 6th Central Pay Commission. Against this total sanctioned Grant of Rs. 15398.82 crore, the actual expenditure incurred was Rs. 16911.21 crore resulting in an excess expenditure of Rs. 1512.39 crore. However taking into account a net effect of Rs. (-) 12.46 lakh on account of misclassification, the actual excess expenditure worked out to Rs. 1512.27 crore (This amount is after deducting savings amounting to Rs. 318.30 crore registered under three Minor Heads of this Grant, which partially offset the gross excess amount).

53. Scrutiny of the Explanatory Note furnished by the Ministry revealed that the excess mainly occurred under the following Minor-Heads:—

(a) Superannuation and Retiring Pension. (100) (Rs. 1435.09 crore), due to receipt of more debits from various pension disbursing authorities because of disbursement of arrears on account of implementation of 6th Pay Commission;

(b) Commuted Pension (200) (Rs. 166.76 crore) due to finalisation of more voluntary retirement cases and arrears payment on account of implementation of 6th Pay Commission;

(c) Death-cum-Retirement Gratuity (500) (Rs. 188.21 crore), due to finalization of more number of Death-cum-Retirement Gratuity cases and disbursement of arrears as per implementation of 6th Pay Commission, than anticipated;

(d) Other Allowances, Other Pensions and Other Expenses (600) (Rs. 6.04 crore), due to more expenditure towards invalid pension and finalization of more number of service gratuity cases as per implementation of 6th Pay Commission, than anticipated; and

(e) Gratuities, Special Contribution to Provident Fund and contribution to Provident Fund (800) (Rs. 34.59 crore), due to more expenditure towards gratuities/special contribution to Provident Fund and more Government contribution for newly defined contribution pension scheme, than anticipated.

F. PERSISTENT MISCLASSIFICATION OF EXPENDITURE UNDER EXCESS REGISTERING GRANTS/APPROPRIATIONS OPERATED BY THE MINISTRY OF RAILWAYS

54. Scrutiny of the Appropriation Accounts (Railways) over the years revealed that the misclassification of expenditure under excess registering Grants/Appropriations has become a recurring feature in budgetary exercise of the Ministry of Railways as can be gauged from the following table which depicts the number of cases of misclassification of expenditure during the last ten financial years 2000-01 to 2009-10:—

Financial Year	No. of cases of Misclassification of expenditure under excess registering Grants/Appropriations	Amount involved in the Misclassification of expenditure (Rs.)
2000-01	1	3,10,410
2001-02	5	28,09,932
2002-03	3	2,08,73,794
2003-04	5	48,94,12,752
2004-05	9	104,32,74,159
2005-06	6	26,89,31,649
2006-07	5	209,80,86,273
2007-08	3	1,12,71,617
2008-09	6	23,54,57,552
2009-10 (Year under review)	7	30,92,58,533

55. The cases of misclassification of expenditure broadly fall under two categories *viz.*, those arising out of differences of opinion regarding the interpretation of allocation rules and those resulting from lack of adequate care at the time of preparation of vouchers. Taking a serious view of the recurring nature of misclassification of expenditure, the Committee in their First Report (12th Lok Sabha) had observed that cases of avoidable misclassification of expenditure, which arose as a result of lack of care, should be viewed seriously and responsibility thereof should be fixed for the lapses. Subsequently, considering that that the persistent misclassification of expenditure by the Ministry of Railways even after computerization of accounting systems was a matter of serious concern, the Committee in their Fifty-Fourth Report (14th Lok Sabha) had urged the Ministry of Railways to review this matter at the highest level and initiate credible action that would yield visible results in the forthcoming years. In their Seventh Report (15th Lok Sabha) and Twenty-second Report (15th Lok Sabha), the Committee had even recommended that the existing budgetary mechanism in the Railways should be thoroughly reviewed so that necessary corrective action wherever warranted could be taken to overcome systemic lacunae/

loopholes and progressive dimensions of the perennial misclassification syndrome. Thus, the Committee have consistently been stressing the need for checking the recurring instances of misclassification of expenditure by the Ministry of Railways. However, the instances of misclassification of expenditure continued to occur regularly in the Railways' budgeting and accounting.

PART II

OBSERVATIONS AND RECOMMENDATIONS

1. The Committee's examination of the Appropriation Accounts of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2009-10 has revealed that a total excess expenditure of Rs. 14581.86 crore was incurred in 20 cases under 18 Grants/Appropriations. The defaulting Ministries are Ministry of Communications and Information Technology (2 Grants *i.e.* Grant No. 14—Department of Telecommunications and Grant No. 13—Postal Services); Ministry of Defence (5 cases under 4 Grants *i.e.* Grant No. 20—Ministry of Defence, Grant No. 21—Defence Pensions, Grant No. 22—Defence Services—Army, and Grant No. 23—Defence Services—Navy); Ministry of Home Affairs (Grant No. 54—Other Expenditure of the Ministry of Home Affairs); and the Ministry of Railways (12 cases under 11 Grants/Appropriations *i.e.* Grant No. 4—Repairs and Maintenance of Permanent Way and Works; Grant No. 5—Repairs and Maintenance of Motive Powers; Grant No. 6—Repairs and Maintenance of Carriages and Wagons; Grant No. 8—Operating Expenses—Rolling Stock and Equipment; Grant No. 9—Operating Expenses—Traffic; Grant No. 12—Miscellaneous Working Expenses; Grant No. 13—Provident Fund, Pension and other Retirement Benefits; Grant No. 15—Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over Capitalisation; Appropriation No. 3—General Superintendence and Services; Appropriation No. 5—Repairs and Maintenance of Motive Powers, Appropriation No. 10—Operating Expenses—Fuel; and Appropriation No. 16—Assets, Acquisition, Construction and Replacement). This amount of excess expenditure incurred during the financial year under review showed a steep increase over the preceding year wherein a total excess expenditure of about Rs. 1532.63 crore in 15 cases of 14 Grants/Appropriations was recorded. Though the Committee are aware of the difficulties faced by the Ministries/Departments in exactly estimating the expenditure due to situational exigencies, nevertheless incurring huge amount of excess expenditure to the tune of thousands of crore year after year despite the provision for obtaining Supplementary Demands for Grants in the course of a financial year is untenable and cannot be attributed to unforeseen factors or the extraordinary situations alone. The Committee deprecate such an endemic failure arising out of want of essential alacrity in budgetary estimations, sheer dereliction of duty on the part of budget controlling authorities and failure on their part to ensure observance of strict fiscal discipline.

2. The Committee find that out of the total excess expenditure of Rs. 14581.86 crore incurred during the 2009-10 fiscal year, the bulk of the excess was registered by the Civil Sector with 63.22 per cent *i.e.* Rs. 9218.89 crore under 4 Grants. The remaining sectors—Defence Services, Postal Services and Railways accounted for 17.93 per cent (Rs. 2615.23 crore under 2 Grants), 5.61 per cent (Rs. 818.13 crore under a single Grant) and 13.23 per cent (Rs. 1929.61 crore under 8 Grants and 4 Charged Appropriations) respectively. The Committee's scrutiny has revealed that

there was misclassification of expenditure in 9 Grants/Appropriations operated by the Ministry of Railways. Out of these, Appropriation No. 10—Operating Expenses—Fuel and Appropriation No. 16—Assets, Acquisition, Construction and Replacement—Capital turned into savings due to misclassification. The other cases of misclassification of expenditure were Rs. (—) 1,00,42,724 under Grant No. 4—Repairs and Maintenance of Permanent Way and Works; Rs. (—) 2,16,02,446 under Grant No. 5—Repairs and Maintenance of Motive Powers; Rs. (—) 3,37,33,837 under Grant No. 6—Repairs and Maintenance of Carriages and Wagons; Rs. (—) 1,09,82,967 under Grant No. 8—Operating Expenses—Rolling Stock and Equipment; Rs. (+) 2,87,69,130 under Grant No. 9—Operating Expenses—Traffic; Rs. (+) 20,28,81,145 under Grant No. 12—Miscellaneous Working Expenses; and Rs. (—) 12,46,284 under Grant No. 13—Provident Fund, Pension and other Retirement Benefits. Taking into account the effect of these 7 cases of misclassification, the actual excess relating to the Ministry of Railways comes to Rs. 1922,83,61,188 instead of Rs. 1929,61,23,832 as indicated in Indian Railways Appropriation Accounts (2009-10). Accordingly, the total amount of actual excess expenditure incurred during the financial year 2009-10 which has to be regularized by Parliament under Article 115(1)(b) of the Constitution is of the order of Rs. 14575.08 crore.

3. Scrutiny of the cases of excess registering Grants and Appropriations for the financial year 2009-10 indicates huge variations in the quantum of excess expenditure incurred under 18 Grants/Appropriations with the bulk of the excess in the Grants relating to Defence Services. In the Civil Sector as much as 97.62 per cent of the total excess expenditure was incurred under Grant No. 21 (Revenue Voted)—Defence Pensions alone while Grant No. 14—Department of Telecommunications, Grant No. 20—Ministry of Defence and Grant No. 54—Other Expenditure of the Ministry of Home Affairs registered 0.95 per cent, 1.03 per cent and 0.39 per cent respectively. In the Defence Sector, Grant No. 22 (Revenue Voted)—Defence Services—Army Accounted for 94.22 per cent whereas Grant No. 23 (Revenue Voted)—Defence Services—Navy and Grant No. 22 (Revenue Charged) Defence Services—Army recorded 5.76 per cent and 0.02 per cent respectively. As regards the Railways, about 94.50 per cent of the total excess expenditure was incurred under 4 Grants only *i.e.* (i) Grant No. 4—Repairs and Maintenance of Permanent Way and Works; (ii) Grant No. 5—Repairs and Maintenance of Motive Powers; (iii) Grant No. 6—Repairs and Maintenance of Carriages and Wagons; and (iv) Grant No. 13—-Provident Fund, Pension and Other Retirement Benefits. The Committee wish to caution that expenditure over and above the budgetary provisions sanctioned by the Parliament at different stages of the budget does not augur well for fiscal prudence and fiscal consolidation besides undermining the Parliamentary financial control. The unabated large excess expenditure by these defaulter Ministries/Departments is axiomatic of the fact that they have not taken any tangible corrective measures. Deplorably, such a trend also indicates that Ministries/Departments have not accorded due importance to the guiding principles of budgeting *i.e.* plugging of the existing loopholes and deficiencies with a view to restricting the quantum of excess expenditure to the barest minimum so as to ensure judicious and equitable distribution of scarce financial resources for achieving all round growth of different sectors. The Committee urge upon the defaulting Ministries/Departments to find innovative steps for ushering in a system of budgeting whereby the exercise is not only made more accurate, logical

and practicable but also able to eliminate all budgetary and financial irregularities. Taking note of the persisting trend of excess expenditure and considering the fact that the problem is not intractable with effective application of IT and e-governance, the Committee recommend that the Ministry of Finance make it incumbent upon the Financial Advisers and the Budget Controlling authorities to ensure that no excess expenditure takes places in future. The Committee would like to be apprised of the instructions issued by them in this behalf.

4. An analysis of the Appropriation Accounts and Explanatory Notes furnished by the defaulting Ministries/Departments shows that in 5 cases the percentage of excess expenditure over the Total Grant was exceedingly high. These are 34.61 per cent in respect of Grant No. 21—Defence Pensions, 6.53 per cent in respect of Grant No. 13—Postal Services; 9.82 per cent in Grant No. 13 (Railways)—Provident Fund, Pension and Other Retirement Benefits; 228.86 per cent in Appropriation No. 3—General Superintendence and Services; and the total amount in Appropriation No. 5—Repairs and Maintenance of Motive powers. Obviously, such a huge excess expenditure shows beyond any manner of doubt that the entire budgetary process has gone awry in these defaulter Ministries/Departments and there was abysmal failure on the part of the budget controlling authorities and Financial Advisers in budget formulation, monitoring and in submission of revised estimates in time. The Committee therefore recommend that the Ministry of Finance cull out and prepare the list of budget controlling authorities and Financial Advisers of the defaulting Ministries/ Departments and furnish the same to the Committee.

5. The Committee note with profound concern that out of the total 18 cases of excess registering Grants/Appropriations, an excess expenditure of Rs. 12071.08 crore was incurred in as many as 15 cases even after obtaining Supplementary Grants/Appropriations to the extent of Rs. 10628.59 crore. The percentage of excess expenditure over the Supplementary Grants in respect of these 15 Grants/ Appropriations ranged from 4.12 per cent (Grant No. 9 (Railways)—Operating Expenses—Traffic) to 456.67 per cent (Grant No. 54—Other Expenditure of the Ministry of Home Affairs) and in 8 cases this percentage was more than 50 per cent. To give the sector wise details, Supplementary Grants to the tune of Rs. 5760.22 crore, Rs. 1035.11 crore, Rs. 436.60 crore and Rs. 3396.66 crore pertaining to the Civil, Defence, Postal and Railway Sectors respectively fell short of the actual expenditure by Rs. 9218.89 crore, Rs. 151.11 crore, Rs. 818.13 crore and Rs. 1882.95 crore in that order. In respect of six Grants and Appropriations the quantum of excess expenditure incurred has been even higher than the Supplementary Grants sought. The Committee deplore the tendency of the defaulting Ministries/Departments in resorting to excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. What is more perplexing is that these Ministries/Departments could not realistically project their requirement of funds even after three stages of obtaining Supplementary Grants the latest being February—March 2010 *i.e.* the fag end of the financial year. This is a clear indication of not only of bad budgeting but also of deeply pervading malaise in the extant budgeting method/mechanism, which has failed to ensure proper assessment and accurate projection of the fund requirement despite ample opportunities for seeking parliamentary approval. It also exposes the hollow claim of the Ministries/Departments that they monitor the flow of the excess expenditure. The Committee, therefore, recommend that the Ministries/Departments

concerned probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and the budget controlling officers responsible so that no excess expenditure is incurred and strict fiscal discipline is maintained.

6. The Committee are constrained to observe that the Ministry of Railway had been persistently incurring huge excess expenditure during the financial years 2000-01 to 2009-10 while the Ministry of Defence had been spending much above the authorized expenditure during each of the financial years 2000-01 and 2003-04 to 2009-10. to elucidate, the Ministry of Railways incurred excess expenditure of— Rs. 0.14 crore in 5 Grants/Appropriations in 2000-01, Rs. 210.71 crore in 8 Grants/ Appropriations in 2001-02, Rs. 323.65 crore in 11 Grants/Appropriations in 2002-03, Rs. 1136.92 crore in 9 Grants/Appropriations in 2003-04; Rs. 2151.99 crore in 10 Grants/Appropriations in 2004-05, Rs. 2322.46 crore in 11 Grants/Appropriations in 2005-06, Rs. 365.16 crore in 8 Grants/Appropriations in 2006-07, Rs. 51.22 crore in 8 Grants/Appropriations in 2007-08, Rs. 532.12 crore in 8 Grants/ Appropriations in 2008-09 and Rs. 1922.84 crore in 9 Grants/Appropriations in 2009-10. The Committee also find that the Ministry of Defence incurred an excess expenditure of Rs. 229.70 crore in a single Grant in 2000-01, Rs. 37.50 crore in a single Grant in 2003-04, Rs. 41.99 crore in two Grants in 2004-05, Rs. 44.84 crore in two Grants in 2005-06, Rs. 667.17 crore in a Single Grant in 2006-07, Rs. 71.19 crore in a single Grant in 2007-08, Rs. 742.61 crore in two Grants in 2008-09 and Rs. 2615.23 in two Grants in 2009-10.

This recurring phenomenon of wide variations between the budgetary provisions and the actual expenditure by these important Ministries over such long periods has led the Committee to arrive at the conclusion that the estimation of requirement of funds is still done in a haphazardly manner devoid of sound bugetary presumptions. Needless to say the existing budgeting mechanism in these Ministries still suffers from various loopholes and lacunae which are nullifying the attempts of the Government to enhance accuracy level of their budgetary projections to achieve the desired improvements. The persistence of such a pernicious trend is bound to further deteriorate the fiscal discipline leading to financial *ad-hocism,* and mal-administration. The Committee, therefore, impress upon the Ministries of Railways and Defence to overhaul their budgetary mechanism drastically, introduce IT and e-governance in their financial administration and fix repsonsibility against the budget controlling authorities in case their estimation go awry leading to excess expenditure.

7. The Committee find that the Appropriation Accounts relating to Civil, Defence Services and Postal Services for the financial year 2009-10 were laid in Parliament on 18.03.2011. However, the Appropriation Accounts—Railways (2009-10) was laid in the Parliament only on 05.08.2011 after a delay of 4 months and 18 days. It may be pointed out that in the preceding years also the Appropriation Accounts—Railways (2007-08) and the Appropriation Accounts—Railways (2006-07) were presented to Parliament after a delay of more than 5 months and 10 months respectively which resulted in delay in the finalization of the Public Accounts Committee's Seventh Report (15th Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (2007-08)" and Eightieth Report (14th Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations) (2006-2007)". This in turn had delayed the regularization of excess expenditure incurred during those financial

years. In paragraph 57 of the Eightieth Report (14th Lok Sabha), the Committee had urged upon the Ministry of Railways and the Ministry of Finance to take necessary remedial measures to ensure timely presentation of the Appropriation Accounts especially the Appropriation Accounts—Railways. Further, in paragraph 52 of the Seventh Report (15th Lok Sabha), the Committee had recommended the Ministry of Railways to take urgent necessary and corrective action to timely present the Appropriation Accounts—Railways to Parliament so that all instances of excess expenditure are gone into by the Committee expeditiously before regularization. The Committee deplore the repeated failures on the part of the Railways to lay their Appropriation Accounts in time. Taking a serious view of the callous attitude on the part of the Ministry of Railways, the Committee only wish to exhort the Ministry of Railways and Financial Commissioner, Railways to put their financial administration in order or be prepared for their oral examination if they fail to stem the rot.

8. The Committee observe that the Explanatory Notes pertaining to the excess registering Grants/Appropriations as highlighted in the Appropriation Accounts (Civil), the Appropriation Accounts (Defence Services) and the Appropriation Accounts (Postal Services) for the financial year 2009-10 were due for submission to the Committee on or before 18 March, 2011. However, the Ministries of Home Affairs, Defence and Communications and Information Technology (Department of Posts) furnished their Explanatory Notes after a delay of 2 months 16 days, 2 months 20 days and 20 days respectively. The Committee would like to impress upon all the Ministries that delay in submission of Explanatory Notes by them impedes the Committee's examination of excess expenditure, a direct consequence of which is delay in the regularization of the unauthorized expenditure by the Parliament. The Committee note that submission of the Explanatory Notes for excess expenditure should not be delayed as they have ample time to prepare and submit them to Parliament and in fact, some of the Ministries submitted them well before the stipulated time. The Committee would, also like the Ministry of Finance to put in place a centralized monitoring network to ensure preparation and submission of Explanatory Notes by the defaulter Ministries/Departments within the prescribed time frame. The Committee further recommend that in future the contributory reasons for delay in submission of Explanatory Notes should invariably be appended in the relevant Explanatory Notes for their scrutiny.

9. The Committee find that the Ministry of Defence incurred an excess expenditure of Rs. 8999.54 crore under Revenue Section (Voted) of Grant No. 21—Defence pensions which alone accounted for 97.62 per cent of the total excess expenditure incurred in the Civil Sector. The Explanatory Note furnished by the Ministry of Defence *inter-alia* states that the excess was mainly due to payment of revised pension at higher rates under the 6th Central Pay Commission Report than assessed, booking of pending pension scrolls received from banks etc. The Committee's examination has revealed that this Grant had also registered an excess expenditure of Rs. 13.33 lakh during the previous financial year 2008-09. As a mark of remedial action taken in this regard, the Ministry of Defence stated in their Explanatory Note that necessary instructions have been issued to all concerned to prepare their Budgetary proposals on realistic basis. The Committee feel that this alone will not yield the desired results as an analysis of the causes of the excess expenditure on account of pension payments suggests that there is lack of comprehensive networking and coordination amongst

pension account related offices across the country and the prevailing pension data management and accounting information systems are not in order. This clearly shows that the Ministry of Defence have not taken any concrete measures to revamp the system so that the pension liability can be correctly forecast and factored into the budgetary estimations. Consequently, when the recommendations of the 6th Central Pay Commission were implemented, the flow of funds was thrown out of gear resulting in huge excess expenditure. The Committee desire that the Ministry of Defence should look into all aspects for taking necessary corrective action so that the existing deficiencies and shortcomings in the pension payment are rectified and recurrence of excess expenditure is either avoided or greatly minimized in future. The Ministry should also adopt e-governance model and utilize the information technology services/ tools so as to establish a centralized data base of pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in a particular year.

10. The Committee note with concern that huge quantum of excess expenditure to the tune of Rs. 2464.11 crore and Rs. 150.51 crore had been incurred both under Revenue Section (Voted) of Grant No. 22—Defence Services—Army and Grant No. 23—Defence Services—Navy respectively during the financial year under review. Surprisingly, the excess expenditure under Grant No. 23 was incurred despite obtaining a Supplementary Grant of Rs. 1033.32 crore. In respect of Grant No. 22, the contributory reasons, according to the Ministry of Defence, were difference in the actual strength of officers/Personnel Below Officer's Rank and the strength figure provided by Management Information System Organisation, reinstatement of the personnel due to court judgement, increased expenditure due to enhancement of Dearness Allowance and embodiment of Territorial Army for PM's Territorial Army Day Parade, revision of travel entitlement due to implementation of the 6th Central Pay Commission Report and erroneous excess booking by Controller General of Defence Accounts, payment of arrears of pay and allowances etc. As regards, the Grant No. 23, the main contributory reasons adduced were enrolment of new officers, revision of travel entitlement due to implementation of the 6th Central Pay Commission Report, increased expenditure due to enhancement of Dearness Allowance, payment of the 6th Central Pay Commission arrears, operational necessity of hiring boats for coastal security, booking of Coast Guard and BSF fuel bills and additional payment for pilots training in USA due to freshly concluded agreement not allocated in projections. The Committee do not consider these reasons for incurring excess expenditure to be compelling as many of these could have been anticipated well in advance and factored into at the time of finalization of Grants through three stages of Supplementary Grants.

Further, the quantum of unauthorized excess expenditure could have been greatly reduced with proper care and attention to detail, which is highly expected of a Ministry dealing with defence personnel whose spirit and character are supposed to be the epitome of professionalism and discipline. In this context, the Committee also find that the Ministry of Defence had incurred excess expenditure amounting to Rs. 95.32 crore and Rs. 8999.54 crore respectively under Grant No. 20—Ministry of Defence and Grant No. 21—Defence Pensions pertaining to the Civil Sector but operated by them. Another excess expenditure of Rs. 60.42 lakh was also registered under Revenue Section (Charged) of Grant No. 22. These altogether put the total excess expenditure

by the Ministry of Defence during the 2009-10 fiscal year at Rs. 11,710.08 crore. This sudden spurt in the quantum of excess expenditure proves that the Ministry have no mechanism to check or minimize excess expenditure under the Grants operated by them. Surprisingly, as a remedial measure, the Ministry have merely re-circulated their old instructions for containing excess expenditure. The Committee feel that apart from routine re-circulation of old instructions which have proved ineffective in plugging the loopholes and rectifying the deficiencies, it is imperative for the Ministry of Defence to undergo serious introspection and devise concrete ways and means in consultation with the Ministry of Finance to overhaul and streamline their budgeting mechanism so that excess expenditure is avoided altogether. The Committee would like to be apprised of the specific corrective measures taken by the Ministry in this direction.

11. During the financial year under review, the Department of Posts incurred an excess expenditure of Rs. 818.13 crore under a single Grant operated by them *i.e.* Grant No. 13—Postal Services. This excess expenditure was despite obtaining Supplementary Grant to the tune of Rs. 436.60 crore. Scrutiny of the Explanatory Note furnished by the Department shows that the excess expenditure was mainly due to increase in the rate of claims and hike in Dearness Allowance following the implementation of the 6th Central Pay Commission Report, more induction training programmes to newly recruited staff *etc.* The Committee have been assured that instructions have been issued to the circles/units to keep the expenditure within the allotment and project the demand for fund realistically. The Committee are however, skeptical of the efficacy of the instructions issued by the Department in checking excess expenditure without devising any concrete mechanism. The Committee urge upon the Department to overhaul their prevailing expenditure review mechanism whereby a system is evolved and enforced to provide sufficient checks and balances against any possible wanton sanction and utilization of funds under this Grant and the requisite transparency and accountability is maintained. The Committee, therefore, desire that precise action should be taken in this regard at the earliest.

12. The Committee's examination of the Union Government Appropriation Account (Railways) for the financial year 2009-10 and scrutiny of Explanatory Notes has revealed that the Ministry of Railways incurred a total excess expenditure of Rs. 1922.84 crore in 10 cases of 9 excess registering Grants/Appropriations. This amount of excess expenditure was more than double the preceding financial year's total of Rs. 532.12 crore incurred in 9 cases of 8 excess registering Grants/ Appropriations. Out of the total excess expenditure of Rs. 1922.84 crore, the bulk of the expenditure amounting to Rs. 1816.68 crore constituting 94.48 per cent of the total Grant was incurred under 4 Grants only *i.e.* (i) Grant No. 4—Working Expenses—Repairs and Maintenance of Permanent—Way and Works (Rs. 54.50 crore); (ii) Grant No. 5-Working Expenses—Repairs and Maintenance of Motive Powers (Rs. 88.71 crore); (iii) Grant No. 6—Working Expenses—Repairs and Maintenance of Carriages and Wagons (Rs. 161.20 crore); and (iv) Grant No. 13—Working Expenses—Provident Fund, Pension and Other Retirement Benefits (Rs. 1512.27 crore). According to the Ministry, the reasons for excess expenditure were implementation of the 6th Central Pay Commission Report, more expenditure on direct purchases, stores from stock, contractual payment, increased expenditure on Periodical Over Hauling (POH), materialisation of more contractual payments than

anticipated. The Committee observe that while anticipating the requirement of funds by the Railways, estimations for various Sub-Heads could have been projected more realistically by analysing properly the total monetary effect of salary hike, prevailing expenditure trail, upcoming demands/requirements, rising cost etc. The Committee cannot but conclude that the indolent Ministry of Railways have not taken any timely corrective measures to improve their budgeting mechanism with a view to avoiding such a huge unauthorized expenditure. Deplorably, there is no mention in the Explanatory Notes about the specific remedial measures taken by the Ministry to contain this persisting excess expenditure. It is apparent that the Ministry has paid scant respect to enforcing fiscal discipline while incurring wantonly excess expenditure, which is anything but regrettable. Taking serious note of lack of concern and sustained efforts on the part of the Ministry in observing fiscal discipline, the Committee recommend that the Ministry of Railways strive earnestly for ensuring realistic estimation of their budgetary requirements under various sub-heads of the Grants/Appropriations operated by them so that their existing lapses/loopholes are identified and concrete remedial measures taken to obviate excess expenditure.

13.The Committee are concerned to note that despite their repeated exhortations, the Ministry of Railways have not been able to stop misclassification of expenditure in the accounts of the Ministry of Railways. During the last 10 financial years, the Committee have come across 50 cases of misclassification of expenditure, the details being 1 in 2000-01, 5 in 2001-02, 3 in 2002-03, 5 in 2003-04, 9 in 2004-05, 6 in 2005-06, 5 in 2006-07, 3 in 2007-08, 6 in 2008-09 and 7 in 2009-10. This unabated trend of persistent misclassification of expenditure seems to have acquired endemic proportion in the Railways. Apparently no tangible action has been taken by the Ministry either to fix resposibility for avoidable errors or for rectifying the terminological ambivalence leading to misclassification. The Committee take a serious view of such callous approach on the part of the Ministry of Railways, which if left unchecked, would derail the budgetary exercise. The Committee recommend that the existing budgetary mechanism in the Railways heeds to be thoroughly reviewed and revamped so that necessary corrective action, wherever warranted, could be taken to overcome systemic lacunae/loopholes and progressive elimination of the misclassification syndrome. The persons responsible for this malady also need to be identified, the precise reasons ascertained for patent misclassification and responsibility fixed for the apparent lapses.

14. Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in paragraph 14 of Part-I of this Report be regularized in the manner prescribed in Article 115(1) (b) of the Constitution of India.

NEW DELHI;
15 *November,* 2011
24 Kartika, 1933 (Saka)

DR. MURLI MANOHAR JOSHI,
Chairman,
Public Accounts Committee.

ANNEXURE I

GOVERNMENT OF INDIA
MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY
DEPARTMENT OF TELECOMMUNICATIONS

Excess Note:

Note for Public Accounts Committee for regularization of excess expenditure in respect of excess occurred under Revenue Section (Voted) of Grant No. 14 — Ministry of Communications & Information Technology as disclosed in the Union Government Appropriation Accounts (Civil) for 2009-2010.

Revenue Section (Voted)

	(Rs. in lakhs)
Original Grant	10150,00
Supplementary Grant	615,87
Total Grant	10765,87
Actual Expenditure	10853,69
Excess	87,82

2. Under Revenue Section (Voted) of Grant No. 14—Ministry of Communications & Information Technology/Department of Telecommunications for 2009-2010 the total provision was ₹ 10150,00,00 thousands. This was augmented to Rs. 10765,87,00 thousands by obtaining Supplementary Grant of Rs. 615,87,00 thousands. Against this, the expenditure of Rs. 10853,68,61 thousands was incurred resulting in excess of Rs. 87,81,61 thousands.

3. The excess of Rs. 87,81,61 thousands was the net effect of total excess of Rs. 380,88,10 thousands and total savings of Rs. 293,06,49 thousands under various sub- heads of the Grant. The sub-heads under which excess of Rupees five lakhs and above occurred and reasons therefore are explained in the Annexure A.

4. This has been vetted by Director General of Audit (P&T) *vide* their U.O. No. Rep.-Civil/1(b)400/Appropriation Accounts/DoT/271/TR-844 dated 11-11-2010.

Enclosure: 1

Sd/-

(Dr. Vijayalakshmy K. Gupta)
Member (Finance)

File No. 1-20/2010-B
Date: 22.11.2010.

ANNEXUREA

List of cases of involving excess of Rupees five lakhs or above under each sub-head under Revenue Section in Grant No. 14—Department of Telecommunications for the year 2009-2010

(Rs. in lakhs)

Sl. No.	Sub-head	Original Grant	Supple-mentary Grant	Total Grant	Actual Expenditure	Excess	Reasons for Excess
1.	2071 01 101 Superannuation and Retirement Allowances	104500.00	16067.00	120567.00	149392.17	28825.17	Excess due to the payment on account of implementation of 6th Pay Commission recommendations.
2.	2071 01 104 Gratuities	35000.00	17951.00	52951.00	59811.95	6860.95	Excess due to the payment on accounts of implementation of 6th Pay Commission recommendations.
3.	2071 01 105 Family Pensions	18925.00	6385.00	25310.00	27711.98	2401.98	Excess due to receipt of more claims than antici-pated as the payments are made through different agencies such as Banks, Post Offices in conse-quence of implementation of 6th Pay Commission recommendations.

ANNEXURE II

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE (FINANCE)
(MAIN OFFICE)

Excess Note:

Note for Public Accounts Committee for regularization of excess expenditure of Rs. 9531.73 Lakh occurred in Revenue Section (Voted) of Grant No. 20—Ministry of Defence (Civil) as disclosed in Appropriation Accounts (Civil) for 2009-10.

Revenue Section (Voted)	(Rs. in thousand)
Original Grant	9895,93,00
Supplementary Grant	926,42,00
Total Grant	10822,35,00
Actual Expenditure	10917,66,73
Excess	95,31,73

2. Under Revenue Section (voted) of Grant No. 20 Ministry of Defence (Civil) for 2009-10 original provision was Rs. 9895,93,00 thousand. This was augmented to Rs. 10822,35,00 thousand by obtaining Supplementary Grant of Rs. 926,42,00 thousand. Against this the expenditure of Rs. 10917,66,73 thousand was incurred resulting an excess of Rs. 95,31,73 thousand.

3. The excess of Rs. 95,31,73 thousand was the net effect of total excess of Rs. 166,89,35 thousand less total Savings Rs. 71,57,62 thousand under various sub-heads of the Grant. The sub-heads under which excess of Rs. 5.00 lakh & above occurred under voted portion and reasons thereof are explained below:—

(i) **Sub-head 2014.00.800.14** (Rs. in lakh)
(Armed Forces Tribunal)

Original Grant	5341.00
Re-appropriation	(-) 4519.03
Total Grant	821.97
Actual Expenditure	873.80
Excess	51.83

The excess of Rs. 51.83 lakh under this sub-head was mainly due to setting of Regional Armed Forces Tribunal Benches located at various stations in India, etc.

(ii) **Sub-head 2037.00.102.06** (Rs. in lakh)
(Coast Guard Organisation)

Original Grant	60437.00
Re-appropriation	(-) 00.64
Total Grant	60436.36
Actual Expenditure	62108.00
Excess	1671.64

The excess of Rs. 1671.64 lakh under this sub-head was mainly due to payment of 60% arrears of 6th CPC, large number of promotions in all categories of CG personal to fill up the vacancies created due to 30% increase in overall existing strength as approved by CCS, posting/transfer of manpower to new ships, CG ashore units RHQ establish in compliance with CCS approval and procurement of Naval store items for new ships and repair/refit of operational unit.

(iii) **Sub-head 2052.00.090.12 (Department of Defence Production)** (Rs. in lakh)

Original Grant	1221.00
Re-appropriation	(+) 413.90
Total Grant	1634.90
Actual Expenditure	1642.22
Excess	7.32

The excess of Rs. 7.32 lakh under this sub-head was mainly due to requirement of additional funds for implementation of 6th CPC report and hike in price of general office items of IT automation, etc.

(iv) **Sub-head 2055.00.104.02 (J&K Light Infantry)** (Rs. in lakh)

Original Grant	54993.00
Supplementary Grant	1214.00
Re-appropriation	(+) 636.74
Total Grant	56843.74
Actual Expenditure	71795.26
Excess	14951.52

The excess of Rs. 14951.52 lakh under this sub-head was mainly due to implementation of 6th CPC and additional movement of troops took place in the last month of financial year and due to more than expected demand & supply of stores to JAKLI units due to their involvement in CI operations, etc.

(v) **Sub-head 2059.01.053.02 (Defence Accounts Department)** (Rs. in lakh)

Original Grant	1352.00
Re-appropriation	(-) 202.00
Total Grant	1150.00
Actual Exependiture	1157.04
Excess	7.04

The excess of Rs. 7.04 lakh under this sub-head was mainly due to requirement of additional funds for maintenance of repair of office buildings, etc.

4. Although the requests for augmentation/modified appropriation of funds were made by the user departments of MoD (Civil) Grant but the same could not be acceded

to on account of shortage of allocated funds by Parliament, etc. In the circumstances explained above the net excess of Rs. 9531.73 lakh (voted) may kindly be recommended for regularization by the Parliament under Article 115(i) (b) of the Constitution.

Remedial Action Taken

5. Necessary instructions have been issued *vide* ID No-1(8-ATN)/MO/2009-10/ 721 dated 28.6.2010 (copy enclosed) to all concerned to prepare their Budgetary proposals on realistic basis taking into consideration all the related aspects such as commitments, trend of expenditure and the anticipated expenses and to an optimum level necessary remedial measures/corrective action should be taken promptly.

This has been vetted by Audit *vide* — DGA, DS UO No.

Sd/-

(Ramesh Kumar)

F.No. 1(8-ATN)/MO/2009-10

Addl. FA & Joint Secretary

Most Important
Budgetary Matter

MINISTRY OF DEFENCE (FINANCE)
(MAIN OFFICE)

SUBJECT: **Instructions/Cautions for preparation of Revised/Budget estimates on realistic basis to avoid savings or excess w.r.t. total allocations/grant under each sub/detailed head.**

It has been noticed that despite pointing out repeatedly by this Division & Audit huge savings occurring year after year under Major Heads 2037, 2052, 2408, 4047 & 4059 which indicate systemic weakness in Budgetary control. Besides, same type of explanations/reasons are given for the savings/excess occurred year after year without even addressing the basic issues involved for such recurrences which shows no remedial action is taken to arrest the savings to an optimum level.

2. Persistent Savings being reported under various repeated heads would therefore is needed to fix the responsibility of such recurrences on obtaining the justifications/clarifications from all the defaulter budget controlling authorities and concrete remedial action must be taken immediately to arrest the savings/excess to an optimum level.

3. It is, therefore, stressed that utmost caution and accuracy be adopted while estimating requirement of funds for RE 2010-2011, BE 2011-2012 after taking into account all the instructions issued by Ministry of Finance from time to time and adhere to the expenditure control during the current/ensuing financial year as well. In order to ensure that the budgetary projections are made after an accurate and realistic assessment of the requirements and visualization of the actual/anticipated expenditures, detailed reasons by giving the numerical impact in respect of each components of the respective detailed/sub-head should invariably be recorded where the estimations are increased or decreased **by 10% or more** w.r.t the actual expenditure during the last financial year (*i.e.* 2009-10), etc.

4. These instructions may please be circulated to all concerned for avoiding savings or excess over the approved grant. Remedial measures/corrective action taken in this regard may kindly be intimated to this Division for apprising the position to DGA, DS.

Sd/-

(Ramesh Kumar)
JS& Addl. FA(R)
Tel.: 23015539

1. JS (E)/DS(Genl.)	— in r/o DoD, DPS, DR&D, DESW
2. Principal Registrar	— in r/o AFT
3. DFA (E/Genl.)	— in r/o Finance Division
4. Director, IDSA/PO (Def.)	— in r/o IDSA
5. Jt. CGDA (AN)/OSD(DAD/Coord.)	— in r/o DAD
6. Addl. D.G. (Admn.), New Delhi/Addl. FA(S)	— in r/o DEO

7. G.M. CSD, "ADELPHI", 119, Maharshi Karve Road, Mumbai, 400020/BOCCS,"L" Block, New Delhi/Addl. FA(S)	— in r/o CSD
8. Director (Plans), Coast Guard HQ/DFA(CG)	— in r/o Coast Guard Organisation
9. Director (FP)/DDGFP-A	— in r/o JAK LI
10. CDP, Krishi Bhawan	— in r/o APO
11. Dir. (PSUs)	— in r/o Defence PSUs
12. DNP, NHQ, South Block	— in r/o Dte. of Naval Plan (MH-7615 only)
13. AG (Budget), South Block	— in r/o Loans & Adv. (MH-7615 only)

MoD (Fin.) ID No.1(8-ATN)/MO/2009-2010/721 dated 28 June, 2010.

Copy to: ACGBA (Budget), office of CGDA-For information.

ANNEXURE III

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE (FINANCE)
(MAIN OFFICE)

Excess Note

Note for Public Accounts Committee for regularization of excess expenditure of Rs. 8999.54 lakh occurred in Revenue Section (voted) of Grant No. 21 Defence Pensions as disclosed in Appropriation Accounts (Defence Pensions) for 2009-10:

Revenue Section (Voted)		(Rs. in thousand)
Original Grant	:	21789,75,00
Supplementary Grant	:	4210 ,00,00
Total Grant	:	25999,75,00
Actual Expenditure	:	34999,29,01
Excess	:	8999,54,01

2. Under Revenue Section (voted) of Grant No. 21 Defence Pensions for 2009-10 original provision was Rs. 21789,75,00 thousand. This was augmented to Rs. 25999,75,00 thousand by obtaining supplementary Grant of Rs. 4210,00,00 thousand. Against this, the expenditure of Rs. 34999,29,01 thousand was incurred resulting an excess of Rs. 8999,54,01 thousand.

3. The excess of Rs. 8999,54,01 thousand was the net effect of total excess of Rs. 9062,59,78 thousand less total savings Rs. 63,05,77 thousand under various sub-heads of the Grant. The sub-heads below Major Head 2071 under which excess occurred and reasons thereof are explained below:—

(i) 2071.02 Defence (SMH)

2071.02.101 Army (Minor Head)

2071.02.101.01 Pension and other Retirement Benefits (Sub Head)

(Voted)		(Rs. in thousand)
Original Grant	:	19113,60,65
Supplementary Grant	:	3327,29,36
Re-appropriation	:	(-) 46,80,78
Total Grant	:	22394,09,23
Actual Expenditure	:	30569,30,80
Excess	:	(+) 8175,21,57

The excess of Rs. 8175,21,57 thousand under this head is mainly due to payment of revised pension at higher rate under VI CPC than assessed and booking of pending Pension scrolls received from banks to clear amount under suspense.

(ii)	2071.02		Defence (SMH)
	2071.02.102	NAVY	(Minor Head)
	2071.02.102.01 Pension and other Retirement Benefits (Sub Head)		
	(Voted)		(Rs. in thousand)
	Original Grant	:	635,33,24
	Supplementary Grant	:	87,73,43
	Re-appropriation	:	(+) 39,55,31
	Total Grant	:	762,61,98
	Actual Expenditure	:	1088,34,77
	Excess	:	(+) 325,72,79

The excess of Rs. 325,72,79 thousand under this head is mainly due to payment of revised pension at higher rate under VI CPC than assessed and booking of pending Pension scrolls received from banks to clear amount under suspense.

(iii)	2071.02		Defence (SMH)
	2071.02.103	AIR FORCE	(Minor Head)
	2071.02.103.01 Pension and other Retirement Benefits (Sub Head)		
	(Voted)		(Rs. in thousand)
	Original Grant	:	1345,65,23
	Supplementary Grant	:	215,91,38
	Re-appropriation	:	(-) 1,14,55
	Total Grant	:	1560,41,06
	Actual Expenditure	:	2122,06,48
	Excess	:	(+) 561,65,42

The excess of Rs. 561,65,42 thousand under this head is mainly due to payment of revised pension at higher rate under VI CPC than assessed and booking of pending Pension scrolls received from banks to clear amount under suspense.

Although the requests for augmentation of funds were made by the PCDA(P) Allahabad/CGDA but the same could not be acceded to on account of shortage of funds by Ministry of Finance and moreover, this excess is incurred due to booking of pending Pension scrolls received from banks to clear amount under suspense. In the circumstances explained above the total excess of Rs. 8999,54,01 thousand may kindly be recommended for regularization by the Parliament under Article 115(I) (b) of the Constitution.

Remedial Action Taken

Necessary instructions have been issued *vide* ID No.—2(6)/MO/2009-10 dated 29/06/2010 (Copy enclosed) to all concerned to prepare their Budgetary proposals on realistic basis taking into consideration all the related such as commitments, trend of expenditure and the anticipated expenses and to an optimum level necessary remedial measures/corrective action should be taken promptly.

This has been vetted by Audit *vide*-DGADS UO No. 150/AA-8/2009-10/Def.Pen. dt. 9/9/2010.

Sd/-

F. No. 2(6)/MO/2009-10

(Ramesh Kumar)
Addl. FA & Joint Secretary.

Most Important
Budgetary Matter

MINISTRY OF DEFENCE (FINANCE)
(MAIN OFFICE)

SUBJECT: **Instructions/Cautions for preparation of Revised/Budget estimates on realistic basis to avoid savings or excess *w.r.t.* total allocations/grant under each sub/detailed head.**

It has been noticed by this Division that Excess expenditure of Rs. 8999.49 crore occurred against the sanctioned provision during the financial year 2009-10 which indicate systemic weakness in budgetary control.

It is, therefore, stressed that utmost caution and accuracy be adopted while estimating requirement of funds for RE 2010-11 BE 2011-12 after taking into account all the instructions issued by Ministry of Finance from time to time and adhere to the expenditure control during the current/ensuring financial year as well. In order to ensure that the budgetary projections are made after an accurate and realistic assessment of the requirements and visualization of the actual/anticipated expenditure, detailed reasons by giving the numerical impact in respect of each components of the respective detailed/sub-head should invariably be recorded where the estimations are increased or decreased by 10% or more *w.r.t.* the acutal expenditure during the last financial year (*i.e.* 2009-10), etc.

These instructions may please be circulated to all concerned for avoiding savings or excess over the approved grant. Remedial measures/corrective action taken in this regard may kindly be intimated to this Division for apprising the positions to DGA, DS.

Sd/-
(T. Joseph)
Dy. Financial Advisor (MO/E)
Tel: 230/ 14890/2404

1. Jt. CGDA(AN)/OSD(DAD/Coord.)
2. Pr. CDA (P) Allahabad.

MoD (Fin.) ID No. 2(6)/MO/2009-10 dt. 29.06.2010

ANNEXURE IV

GOVERNMENT OF INDIA
MINISTRY OF HOME AFFAIRS

Explanatory Note for Excess

Note for the Public Accounts Committee for regularization of excess expenditure that occurred under Revenue Section (Voted) of Grant No. 54—Other Expenditure of Ministry of Home Affairs for the financial year 2009-10, as disclosed in the Union Government Appropriation Accounts (Civil) for the year 2009-10.

Revenue Section (Voted)

	(Rupees in thousand)
Original Grant	1353,54,00
Supplementary Grant	7,93,00
Total Grant	1361,47,00
Actual Expenditure	1397,68,40
Excess	36,21,40

2. The Original Budget Provision under Revenue Section (Voted) of Grant No. 54—Other Expenditure of Ministry of Home Affairs for the year 2009-10 was Rs. 1353,54,00 thousand. This was augmented to Rs. 1361,47,00 thousand by obtaining a Supplementary Grant of Rs. 7,93,00 thousand. The Actual Expenditure against this was Rs. 1397,68,40 thousand, resulting in a excess of Rs. 36,21,40 thousand.

3. The excess of Rs. 36,21,40 thousand was the net effect of total excesses of Rs. 313,07,31 thousand and total savings of Rs. 276,85,91 thousand that occurred under various sub-heads of the Grant. The sub-heads, under which excesses of Rs. Five Lakh or more occurred and reasons thereof, are explained below:

(i) 2056.00.800.03—Regional Institute of Correctional Administration

	(Rupees in lakh)
Original Grant	100.00
Supplementary Grant	1.00
Total Grant	101.00
Actual Expenditure	219.00
Excess	118.00

Reasons for Excess

There was excess requirement of funds under this sub-head during the year for setting up of Institute of Correctional. Administration in West Bengal. Since funds were available under same Section of the Grant, a token Supplementary Grant of Rs. 1.00 lakh was obtained in the 2nd and Final Batch of Supplementary Demands for Grants for the year 2009-10. An amount of Rs. 1.19 crore was, thereafter, re-appropriated to this sub-head with the due approval of the Competent Authority. Hence, although expenditure under this sub-head was more than the Total Grant, the excess was well covered with Supplementary Grant/Re- appropriation of Funds.

(ii) 2070.00.800.26—National Identity Card Schemes

	(Rupees in lakh)
Original Grant	10.00
Actual Expenditure	395.14
Excess	385.14

Reasons for Excess

There was a token provision of Rs. 10.00 lakh under this sub-head at BE stage. During the year, a requirement of additional funds had arisen to implement the 'Multi-Purpose National Identity Card Scheme'. Since enough funds were not available for the purpose, a re-appropriation of funds amounting to Rs. 3.90 crore was carried out with the due approval of the Competent Authority. Hence, the excess expenditure was well covered with the additional budgetary provision.

(iii) 2235.60.107.03—Central Government Pension

	(Rupees in lakh)
Original Grant	550,00.00
Actual Expenditure	825,00.94
Excess	275,00.94

Reasons for Excess

Provision under this sub-head is made for implementing the 'Swatantrata Sainik Samman Pension Scheme' for the benefit of freedom fighters and their dependents.

During the year 2009-10, near close of the financial year, the Central Pension Accounting Office (CPAO), which books expenditure under the aforesaid scheme, intimated this Ministry that expenditure under the scheme would be around Rs. 750.00 crore, as against the budgetary provision of Rs. 550.00 crore in the wake of cost of increase in pension and dearness relief and grant of pension to freedeom fighters and their dependents on various liberation movements. The CPAO requested this Ministry to make the additional funds available to them immediately. Since there was a shortfall of Rs. 200.00 crore, it was decided to meet this gap by re-appropriation of funds from the available saving under both Plan and Non-Plan Heads of Revenue Section of the Grant. But this Ministry could only provide savings to the tune of Rs.114.00 crore for the purpose. The savings were immediately re-appropriated to narrow this gap, with the due approval of Secretary (Expenditure), Ministry of Finance. Since the additional requirement of funds could not be met fully, excess expenditure occurred under the scheme. The actual expenditure under the scheme *i.e.* Rs. 825.01 crore, after close of the financial year was, however, more than what was anticipated by Central Pension Accounting Office and intimated to this Ministry *i.e.* Rs. 750.00 crore.

In this context, it is submitted that there is no direct control of this Ministry over expenditure under the aforesaid scheme. As per the procedure adopted, the pension is first disbursed by over 32,000 branches of Nationalized Banks/Treasuries spread all over the country to the pensioners. The Reserve Bank of India later on makes reimbursement of this amount to the Banks/Treasuries. The expenditure on this account is booked by Central Pension Accounting Office (CPAO) under the administrative control of Ministry of Finance. The CPAO intimates the expenditure booked by them under this scheme to this Ministry (Ministry of Home Affairs) way after completion of the financial year. Hence, it is beyond the control of this Ministry to restrict expenditure under this scheme.

(iv) 2235.60.200.01—Permanent Homes for Freedom Fighters

	(Rupees in lakh)
Original Grant	6.00
Actual Expenditure	20.00
Excess	14.00

Reasons for Excess

During the year 2009-10, additional requirement of funds amounting to Rs. 14.00 lakh had arisen under this sub-head to make payment to New Delhi Municipal Committee (NDMC) for the renovation and electric work carried out by them during the year 2008-09. For the purpose, funds to the tune of Rs. 14.00 lakh were diverted to this sub-head by way of re-appropriation of funds, with the due approval of the Competent Authority. Hence, the excess expenditure of Rs. 14.00 lakh under this sub-head during the year was well covered with adequate re-appropriation of funds. Hence, there was no excess under this sub-head over the available budgetary provision.

(v) 2250.00.800.05—Other Schemes

	(Rupees in lakh)
Original Grant	400.00
Supplementary Grant	1.00
Total Grant	401.00
Actual Expenditure	876.23
Excess	475.23

Reasons for Excess

During the year 2009-10, it was decided to enhance the provision of this sub-head to meet additional requirement of funds to counter the negative publicity of the naxalites against the Government to focus on development schemes for the benefit of tribal people and regular telecast of video spots and radio jingles. Since savings were available within same Section of the Grant, a token Supplementary Grant was obtained in the First Batch of Supplementary Demands for Grants for the year 2009-10. A net amount of Rs. 7.80 crore was also re-appropriated to this sub-head on the basis of the said Supplementary Grant, with the due approval of the Competent Authority. Hence, the actual expenditure of Rs. 8.76 crore was well within the final budgetary provision of Rs. 11.81 crore and there was no excess or unauthorized expenditure under this sub-head during the year.

(vi) 3053.01.800.03—Payment of Helicopter Services in North Eastern Region

	(Rupees in lakh)
Original Grant	3000.00
Actual Expenditure	3499.00
Excess	499.00

Reasons for Excess

The excess expenditure of Rs. 4.99 crore over the BE provision was adequately covered with similar amount of re-appropriation of funds, which was carried out with the due approval of the Competent Authority. The additional requirement of funds had arisen during the year to clear outstanding dues of Pawan Hans Helicopter Limited.

(vii) 3601.01.343.02—Tripura

	(Rupees in lakh)
Original Grant	3000.00
Actual Expenditure	4815.00
Excess	1815.00

Reasons for Excess

During the financial year 2009-10, there was additional requirement of funds under this sub-head for maintenance of Bru migrants staying at relief camps in Tripura and reimbursement of claims received from the Government of Tripura. To meet this additional requirement, an amount of Rs. 23.15 crore was re-appropriated to this sub-head with the due approval of the Competent Authority. Hence, the expenditure over and above the Original Grant was fully covered with adequate re-appropriation of funds.

(viii) 3601.01.349.02—Relief Grants

	(Rupees in lakh)
Original Grant	3500.00
Actual Expenditure	4000.00
Excess	500.00

Reasons for Excess

There was an excess requirement of funds amounting to Rs. 5.00 crore under this sub-head during the year for meeting additional expenditure incurred by the Government of Tamil Nadu on relief and rehabilitation assistance extended to Sri Lankan refugees. The excess expenditure was, however, met by making necessary budgetary provision by way of re-appropriation of funds with the due approval of the Competent Authority.

4. Remedial Action Taken

It may be seen from the above that, barring the excess expenditure that occurred under 'Swatantrata Sainik Samman Pension Scheme', all the excess expenditure under other sub-heads was covered with adequate supplementary grants/re-appropriation of funds, as required under the rules. As regards, the excess expenditure that occurred under 'Swatantrata Sainik Samman Pension Scheme', it is stated that it is beyond the control of this Ministry to restrict expenditure under this scheme due to the very nature of this scheme. During the year 2009-10, although the Ministry diverted all the available savings to the scheme, the expenditure has exceeded the Grant.

In this context, it is stated that although sanctions for pension under 'Swatantrata Sainik Samman Pension Scheme' are issued by the Ministry, the disbursement of pension to freedom fighters and that of family pension to the spouses/eligible dependents of the deceased freedom fighters is totally decentralized. The Ministry does not make any payment directly to the beneficiaries. Individual Banks and Treasuries make such payments.

It is submitted that recently, the Ministry has initiated an exercise to prepare a data base of Samman Pensioners who are actually drawing pension as on date by calling information from all Public Sector Banks and Treasuries.

Further, although the scope for increase in number of freedom fighters entitled for pension over proceeding year is limited, the number of fresh cases adding up as a result of various courts' judgments is unpredictable. Hence, a realistic assessment of budgetary requirements cannot be made.

It is reiterated that the expenditure under the scheme is a committed expenditure. Hence, the same cannot be restricted to Budget Estimates/Revised Estimates. The requirement of funds projected is not always provided for even at BE stage. Thus, the excess expenditure could not be foreseen by the end of the financial year.

It is also submitted that an internal audit of the above-stated scheme is also being carried out during the current financial year 2010-11.

Keeping in view the fact that there was no lapse on the part of this Ministry as far as excess expenditure under the Grant is concerned, the Public Accounts Committee may please regularize the excess expenditure.

Vetting Comments of Audit

The excess expenditure under the same sub-head, 'Central Govt. Pensions', was recorded in 2008-09 also. In case of excesses under the grant 'Pensions' of Ministry of Finance, PAC in its 22nd Report on excesses over voted grants and charged appropriations 2008-09 has highlighted the need for adoption "of e-governance model and utilize the Information Technology services/tools so as to establish a centralized database of pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in particular year". Since the nature of the sub-head and reasons for excess are similar to those mentioned in the PAC Report above, Ministry needs to work in this direction with a definite time frame for preparation of comprehensive centralized database of pensioners and networking of banks under "Swatantrata Sainik Samman Pension Scheme".

Reply of the Ministry

The concerned division of the Ministry, *i.e.,* Freedom Fighters & Rehabilitation Division, has been apprised of the above recommendation of the PAC for exploring all the possibilities in this regard.

(This 'Explanatory Note for Excess' has been vetted by Office of the DG (Audit), Central Expenditure vide their U.O. No. RR/6-29/10-11/72 dated 03.05.2011).

Sd/-
(Vishwapati Trivedi)
Special Secretary & Financial Advisor (Home)

(MHA File No. 28/16/2010-Bgt.I)

ANNEXURE V

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
(FINANCE/BUDGET)

Excess Note

NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARIZATION OF EXCESS EXPENDITURE IN RESPECT OF EXCESS OCCURRED UNDER REVENUE SECTION (CHARGED AND VOTED) OF GRANT NO. 22—DEFENCE ERVICES—ARMY, AS DISCLOSED IN THE UNION GOVERNMENT APPROPRIATION ACCOUNTS (DEFENCE SERVICES) FOR THE YEAR 2009-2010.

GRANT NO. 22—DEFENCE SERVICES—ARMY

(Rs. in Thousands)

REVENUE SECTION (CHARGED)

Original Grant	:	183000
Supplementary Grant	:	17900
Total Grant	:	200900
Actual Expenditure	:	206943
Excess	:	6043
Surrender during the year	:	NIL

2. In the Charged portion of the Grant overall excess of Rs.60 lakh occurred due to finalization of more number of Court cases than anticipated.

(Rs. in Thousands)

REVENUE SECTION (VOTED)

Original Grant	:	602525300
Supplementary Grant	:	NIL
Total Grant	:	602525300
Actual Expenditure	:	627166412
Excess	:	24641112
Surrender during the year	:	8383300

3. Under Revenue Section (Voted) of Grant No. 22—Defence Services—Army for the year 2009-2010 the total provision was Rs. 602525300 thousands. Against this, the expenditure of Rs.627166412 thousands was incurred resulting in excess of Rs. 24641112 thousands (Rs. 24641111895).

4. The excess of Rs. 24641112 thousands (voted) was the net effect of total excesses of Rs. 35967998 thousands (voted) and total savings of Rs. 2943586 thousands (voted) under various sub-heads of the Grant as well as surrender of Rs. 8383300 thousands.

The sub-heads under which excess of Rs. Five Lakhs and above occurred and reasons therefor are explained as below:—

MAJOR HEAD - 2076

(i) Minor Head-101 (Rs. in Thousands)

Original Grant	:	331258000
Supplementary Grant	:	NIL
Re-appropriation	:	(-) 803700
Total Grant	:	330454300
Actual Expenditure	:	361912488
Excess	:	31458188

The excess of Rs. 314582 lakh in the Final Grant was mainly due to difference in the Actual Strength of Officers/PBOR and the strength figure provided by MISO, reinstatement of the boarded out LMC personnel on account of Court Judgement.

(ii) Minor Head-103 (Rs. in Thousands)

Original Grant	:	6867800
Supplementary Grant	:	NIL
Re-appropriation	:	(+) 3000
Total Grant	:	6870800
Actual Expenditure	:	7049788
Excess	:	178988

The excess of Rs. 1790 lakh at the Final Grant was mainly due to increased expenditure due to enhancement of DA & embodiment of TA for PM's TA Day Parade 2009-10 (Diamond Jubilee).

(iii) Minor Head-104 (Rs. in Thousands)

Original Grant	:	29611300
Supplementary Grant	:	NIL
Re-appropriation	:	(+) 402400
Total Grant	:	30013700
Actual Expenditure	:	31322727
Excess	:	1309027

The excess of Rs. 13090 lakh in the Final Grant was mainly due to payment of Second Instalment of Pay Arrears of 6th CPC.

(iv) Minor Head-105 (Rs. in Thousands)

Original Grant	:	14682000
Supplementary Grant	:	NIL

Re-appropriation	:	(+) 1683900
Total Grant	:	16365900
Actual Expenditure	:	17915391
Excess	:	1549491

The excess of Rs. 15495 lakh in the Final Grant was mainly due to upward revision of travel entitlements after 6th CPC.

(v) Minor Head-106 (Rs. in Thousands)

Original Grant	:	2151300
Supplementary Grant	:	NIL
Re-appropriation	:	(—) 15500
Total Grant	:	2135800
Actual Expenditure	:	2185151
Excess	:	49351

The excess of Rs. 494 lakh in the Final Grant was mainly due to less allotment of budget during the year.

(vi) Minor Head-107 (Rs. in Thousands)

Original Grant	:	6900000
Supplementary Grant	:	NIL
Re-appropriation	:	(+) 1999200
Total Grant	:	8899200
Actual Expenditure	:	8919571
Excess	:	20371

The excess of Rs. 204 lakh in the Final Grant was mainly due to erroneous excess booking by CGDA.

(vii) Minor Head-109 (Rs. in Thousands)

Original Grant	:	5579600
Supplementary Grant	:	NIL
Re-appropriation	:	(+) 117800
Total Grant	:	5697400
Actual Expenditure	:	6091295
Excess	:	393895

The excess of Rs. 3939 lakh in the Final Grant was mainly due to payment of arrears of Pay & Allowances, spillover of expenditure from previous years and due to proof expenditure.

(viii) Minor Head-113		(Rs. in Thousands)
Original Grant	:	8433800
Supplementary Grant	:	NIL
Re-appropriation	:	(-) 2081300
Total Grant	:	6352500
Actual Expenditure	:	7361187
Excess	:	1008687

The excess of Rs. 10087 lakh in the Final Grant was mainly due to implementation of the recommendation of 6th CPC, rollover of procurement cycle of stores to the next financial year, book adjustment of previous year expenditure and heavy booking in the month of March, 2010.

5. Respective budget holders have been instructed to formulate the Budget estimate on most realistic basis and to keep the expenditure under constant review by monitoring it regularly with reference to the allocations made and to ensure that there is neither any excess nor large scale savings over the sanctioned budgetary provisions.

6. In order to avoid recurrence of any excess, instructions have been issued to all concerned emphasizing the need to follow the instructions issued on the subject more scrupulously and to monitor the progress of expenditure in a stricter manner apart from projecting the demands on factual basis and to the barest minimum depending on the actual requirements/obligations.To this end, Service Hqrs./Deptt. have also been requested to issue necessary instructions to all budget controlling authorities in their lower formations to follow the instructions issued on the subject meticulously so as to avoid any saving/excess.

7. Earlier, instructions were issued *vide* MoD (Fin.) ID No. 17(1)/B-1/1999 dated 13-12-2005 and 27-1-2006 (copies enclosed) to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses. In addition, Inter Departmental Monitoring Groups headed by FA (Acq.) in respect of Acquisition Heads and Addl. FAs in respect of other Heads have been requested *vide* MoD (Fin.) ID No. 17(3)/B-1/2004 dated 01-08-2007, 25-09-2009 and 31-05-2010 (copies enclosed) to hold regular meetings so as to prevent occurrence of excesses/savings under various Heads and rush of expenditure towards the end of financial year.

8. F.A. (Acq.) and all Addl. F.A., as also the Services Hqrs have been requested *vide* Min. of Def. (Fin.) ID No. 17(3)/B-I/2004, dated 24-7-2006 and ID No. 10(7)/Bud-I/ 2007, dated 09-09-2008 (copies enclosed) to ensure the progress of expenditure to the tune of 67% of the BE allocation by December as directed by Finance Minister. It has also been advised that for Supplementary Demands for Grants, the amount of supplementary demand may be assessed realistically so that the amount of

Supplementary Demand neither falls short of the actual requirement resulting in excess expenditure, nor the amount is drawn in excess of the requirement resulting finally in surrender of the amount of supplementary. These instructions have also been reiterated *vide* MoD (Fin.) I.D. No.1(4)/Bud-1/2011 dated 24.03.2011.

9. In the circumstances explained above, the excess of Rs. 6043 thousand under Revenue Section (Charged) and Rs. 24641112 thousand (Rs. 24641111895) under Revenue Section (Voted) may kindly be recommended for regularization by the Parliament under Article 115(i) (b) of the Constitution.

Sd/-

(Veena Prasad)
Addl. FA(VP) & JS

File No. 7(2)/Bud.-I/2011

Most Immediate

MINISTRY OF DEFENCE (FINANCE)
(BUDGET-I)

SUBJECT: **Monitoring and Control of Defence Expenditure- 2005-2006.**

As per the instructions issued *vide* MoD ID No. 8737-S/Def. Secy./91 dated 27/12/91 (copy enclosed), Inter-Departmental Monitoring Groups were constituted in the year 1991-92 to closely monitor the progress of expenditure and pending liabilities to ensure optimal use of resources. The Departmental Monitoring Groups would now consist of FA (Acq)/the concerned Addl. FA as convenor, concerned Joint Secretary, FMs concerned, Flag rank officer from Service HQrs. and representatives of CGDA/CDA.

2. The Standing Committee on Defence while examining the Demands for Grants for the year 2002-2003 and 2003-04 had taken a serious view of the unspent funds and had recommended that the amounts allotted should be fully utilised for the purchase of new weapon systems, modernisation and upgradation of the existing systems so as to ensure that no surrender of funds is made. Further, the C&AG has also commented adversely in the past on the overall unspent provisions *vis-a-vis* the budgetary outlays. In this regard, necessary instructions were issued *vide* MoD ID No. 10(1)/B-I/2002, dated 8/10/2002 to all concerned to monitor the progress of expenditure constantly in a more vigilant manner. Services Hqrs/Departments has also been requested to issue instructions in this regard to all the Budget Controlling Authorities under their administrative control to eliminate instances of large scale savings/excess.

3. During a recent meeting with Financial Advisors of various Ministries of Govt. of India, Finance Minister reviewed the implementation of his directions issued last year regarding expenditure of minimum 67% of BE allocation by December and emphasized that no Ministry/Department would be permitted to spend more than 1/3rd of their Budgetary allocation after December. Finance Minister has directed that in 2005-06, no explanation will be accepted for exceeding 33% in the last quarter. All concerned must plan right from now to ensure proper pace of expenditure. He has also directed that in case any Ministry/Deptt. is not able to spend 67% by December end, it will not be allowed to spend more that 33% in the last quarter. In this regard, a letter No. 11(23)/B-I/2004, dated 24-5-2005 may please be referred to.

4. The trend of expenditure during the current financial year indicates that unless effective monitoring and control is exercised, savings may result under various revenue and capital heads. With a view to ensuring a constant and uniform pace of expenditure *vis-a-vis* the sanctioned provisions it is essential that the progress of expenditure is monitored at all levels and contained within the sanctioned allocations in order to avoid any large scale savings or excesses.

5. The Monitoring Groups headed by FA(Acq) (in respect of acquisition heads) and Addl. FAs (in respect of rest of the heads) are, therefore, requested to hold regular meetings on a fortnightly basis during December, 2005 and January, 2006 and on

weekly basis in February and March, 2006 so as to prevent excesses/savings under various Heads and bunching of expenditure towards the year end, duly taking into account all factors like actual drawal from LCs, status of contracted and uncontracted schemes, supply position in respect of contracts, progress of civil works, etc. It is pertinent to mention that CGDA now provides weekly compilation of expenditure from August, 2005 to this Ministry to enable us to monitor the progress of expenditure effectively.

6. The minutes of the meetings, explaining, *inter alia* the position regarding budgetary targets/deviations, if any, and corrective measures adopted, may please be put up to FA(DS) regularly and copy endorsed to Director (Fin/Budget).

Sd/-
(Amit Cowshish)
Addl. FA(A)

FA(Acq)	for Acquisition cases of three Servies & HQ IDS
Addl. FA (M)	for Air Force, Army (Q, AG & GS)
Addl. FA (H)	for DGOF
Addl. FA (AM)	for DGQA, Army (Land & Works)
Addl. FA (J)	R&D [including ATVP, Dte. of Std., DTD&P (Air)]
Addl. FA (A)	for Ordnance/Navy (Other than Acquisition Heads)
IFA,CIDS & SFC	

MoD (Fin) ID No. 17(1)/B-I/1999 dated 13.12.2005.

Copy to :	DG (Acq),	AS(I),	AS (DP),
	JS&AM(MS),	JS&AM(LS),	JS&AM(Air),
	JS(O/N),	JS(G/Air),	JS(C&W),
	JS(PIC),	CCR&D(R),	All FMs,
	IFA(Navy),	IFA(AF),	IFAs (Army),
	Director (Fin./Acq.)	Director (Fin./Navy)	
	Director (Fin./AF/Acq.)	Dir. (Fin./O)	
	Dir. (Fin./AF/Org.)		
	DFA (Navy)		

Most Immediate

MINISTRY OF DEFENCE (FINANCE)
(BUDGET-I)

SUBJECT: **Monitoring and Control of Defence Expenditure 2005-2006.**

Reference: MoD (Fin.) I.D. No. 17(1)/B-1/1999 dated 13.12.2005.

It may be recalled that the above referred note was issued with the request that the Monitoring Groups headed by FA (Acquisition) (in respect of Acquisition Heads) and Additional FAs (in respect of rest of the Heads) may hold regular meetings on a fortnightly basis during December, 2005 and January, 2006 and on weekly basis in February and March, 2006 so as to prevent excesses/savings under various Heads and bunching of expenditure towards the year end, duly taking into account all factors like actual drawl from LCs, status of contracted and uncontracted schemes, supply position in respect of contracts, progress of civil works, etc.

2. It is observed from the CGDA's compilation for the month of December, 2005 that the progress of expenditure is very slow particularly in Capital Heads. Keeping this in view the Defence Secretary had taken a meeting on 20th January, 2006 reiterating that the real challenge before us is to ensure that the allocation made is fully expended. It is, therefore, requested that all efforts be made to meet the expenditure target against budgetary allocation and to ensure that no surrenders are made at any stage.

Sd/-
(Amit Cowshish)
Addl. FA(A) & J.S.

FA(Acq)	for Acquisition cases of three Services & HQ IDS
Addl. FA (M)	for Air Force, Army (Q, AG & CG)
Addl. FA (H)	for DGOF
Addl. FA (AM)	for DGQA, Army (Land & Works)
Addl. FA (J)	for R&D [including ATVP, Dte. of Std., DTD&P (Air)]
Addl. FA (A)	for Ordnance/Navy (Other than Acquisition Heads)
IFA, CIDS & SFC	

MoD (Fin.) ID No. 17(1)/B-I/1999 dated 27.01.2006

Copy to:	DG (Acq),	AS(I),	AS (DP),
	JS&AM(MS),	JS&AM(LS),	JS&AM(Air),
	JS(O/N),	JS(G/Air),	JS(C&W),
	JS(PIC),	CCR&D(R),	All FMs,
	Dir. (Fin./Acq)	Dir. (Fin./Navy)	Dir. (Fin./AF/Org.)
	Dir. (Fin./AF/Acq)	Dir. (Fin./O)	DFA (Navy)

MINISTRY OF DEFENCE
(FINANCE/BUDGET)

SUBJECT: **Monitoring and Control of Defence Expenditure.**

Reference: (i) Ministry of Defence ID No. 34(4)/2006/D(O&M) dt. 11.07.2006.

(ii) Ministry of Defence (Fin.) ID No. 17(3)/B-I/2004 dt. 24.07.2006.

Instructions have been issued from time to time regarding monitoring of progress of defence expenditure. For this purpose Departmental Monitoring Groups headed by FA (Acq) in respect of Acquisition heads and Addl. FAs in respect of other heads are required to hold regular meetings so as to prevent excesses/savings under various Heads and bunching of expenditure towards the end of financial year.

2. As per the existing instructions, minutes of the monthly meeting are required to the submitted to the FA(DS) for information and a copy of the minutes is also required to be sent to the Budget Section. However, during the current financial year, Budget Section has not received copies of the minutes of such meetings.

3. In the meetings taken by the R.M. on 4th April, 2007 and 7th May, 2007, he had, *inter alia,* given the following directions:

(a) Funds should not be parked with the PSUs in desperation and that there should be proper jointness among the three Services.

(b) The targets including procurement targets to be achieved in a phased manner. January should be the deadline and efforts should begin with first quarter only.

This may please be kept in view while reviewing progress of expenditure.

4. It is, therefore, reiterated that regular meetings may please be held to monitor the progress of expenditure so as to prevent excesses/savings under various Heads and bunching of expenditure towards the end of financial year. The minutes of the meeting explaining, *inter alia,* the position regarding budgetary targets/deviations, if any, and corrective measures adopted may please be put up to FA(DS) regularly and copy endorsed to Director (Fin/Budget).

Sd/-
(Mukesh Kumar Sinha)
Director (Fin/Budget)

FA(Acq) & Addl. Secy.	for Acquisition cases of three Services & HQ IDS
Addl. FA(M) & JS	for Air Force, Army (Q, AG & CG)
Addl. FA(H) & JS	for DGOF
Addl. FA(AM) & JS	for DGQA, Army (Land & Works)
Addl. FA(J) & JS	for R&D (including ATVP, Dte of Std, DGAQA, etc.)
Addl. FA(A) & JS	for Ord/Navy (Other than Acquisition Heads), Coast Guard & HQ IDS

MoD (Fin) ID No. 17(3)/B-I/2004 dated 1.8.2007.

MINISTRY OF DEFENCE
(FINANCE/BUDGET)

SUBJECT: **Monitoring and Control of Defence Expenditure.**

Instructions have been issued from time to time regarding monitoring of progress of defence expenditure. For this purpose Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisition heads and JS & Addl. FAs in respect of other heads are required to hold regular meetings so as prevent excesses/savings under various Heads and bunching of expenditure towards the fag end of financial year.

2. As per the existing instructions, minutes of these meetings are required to be submitted to the Secretary (Defence Finance) for information and a copy of the minutes is also required to be sent to the Budget Section. However, during the current financial year, Budget Section has not received copies of the minutes of any such meetings. It is, therefore, requested that the meetings may be held regularly.

3. While reviewing progress of expenditure, it may be kept in view that:

(a) Funds are not parked with the PSUs and that there is proper jointness among the three Services.

(b) Rush of expenditure towards the end of the financial year continues to be an area of concern. As per extant instructions, as brought out in the economy instructions issued by Deptt of Expenditure on 5th June, 2008, not more than one-third (33%) of the Budget Estimates may be spent in the last quarter of the financial year.

(c) As stipulated in the economy instructions issued by Deptt of Expenditure on 5th June, 2008, all advance payments to implementing/production agencies for any scheme/project/acquisition are limited to 10% of the approved financial outlay in the fiscal year. Subsequent payments must be strictly related to deliverables/milestones. This restriction may be applicable in the case where expenditure is effected through a contract.

(d) Prior approval of Department of Expenditure is required for re-appropriation under a sub-head by a sum of Rs. 5 crore or more and it must indicate matching savings under the relevant sub-head.

(e) Economic measures as per instructions issued by Department of Expenditure from time to time are observed. As there is need for further economy and rationalization of expenditure, the guidelines issued by Deptt of Expenditure on 7th September, 2009 towards austerity measures especially towards 10%

cut on Non-Plan expenditure under the following heads may be observed:

(i) Domestic and Foreign Travel Expenses

(ii) Publications

(iii) Professional Services

(iv) Advertising and Publicity

(v) Office Expenses

(vi) POL (except for security related requirement)

(vii) Other Administrative Expenses

4. It has been observed that instances of excesses/savings under different grants of the Defence Services are reported in the Report of C&AG of India highlighting improper management of Defence expenditure. With a view to ensuring a constant and uniform pace of expenditure *vis-a-vis* the sanctioned provisions it is essential that the progress of expenditure is monitored at all levels and contained within the sanctioned allocations in order to avoid any large scale savings or excesses. It is, therefore, reiterated that regular meetings may please be held to monitor the progress of expenditure so as to prevent excess/savings under various Heads and bunching of expenditure towards the end of financial year. The minutes of the meeting explaining, *inter alia,* the position regarding budgetary targets/deviations, if any, and corrective measures adopted may please be submitted to Secretary (Defence Finance) regularly and copy endorsed to Director (Fin/Budget).

5. The above instructions as well as the earlier instructions issued on the subject should be followed scrupulously in order to avoid any excess expenditure against any Grants. Service Hqrs/Departments are also requested to issue necessary instructions in this regard to all the budget controlling authorities under their administrative control to eliminate the instances of excess expenditure/savings. Office of the CGDA may also issue suitable instructions to all concerned to ensure that payments are authorized only against availability of funds.

Sd/-
(Amit Cowshish)
JS & Addl. FA (A)

FA (Acq)
All Joint Secretaries/JS & Addl. FAs/FMs
DG FP, PDNP, D Fin P, DGOF
CCR&D, DGQA, DGNCC, DGMF, DGAQA, Dte of Standardisation,
CGDA

MoD (Fin) ID No. 17(4)/Cir/Bud-I/2006 dated 25th September, 2009.

Copy for information to:—

1. Deptt of Economic Affairs (Budget Division), Ministry of Finance.

2. DGADS.

MINISTRY OF DEFENCE (FINANCE)
(BUDGET DIVISION)

SUBJECT: **Monitoring and Control of Defence Expenditure.**

Reference: (i) MoD (Fin) ID No. 17 (4)/Cir/Bud-I/2006 dated 25th September, 2009

(ii) MoD (Fin) ID No. 10(7)/Bud-I/2007 dated 9th September, 2008

(iii) MoD (Fin) ID No. 17(3)/B-I/2004 dated 1.8.2007

(iv) MoD (Fin) ID No. 17(3)/B-I/2004 dated 24.7.2006

(v) MoD (Fin) ID No. 17(1)/B-I/1999 dated 13.12.2005

Instructions have been issued from time to time *vide* above mentioned references, as well as the previous ones, to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses. For this purpose, Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisition heads and JS & Addl. FAs in respect of other heads are required to hold regular meetings to review the progress and trends of expenditure and to identify steps taken to prevent excess/ savings under various heads and bunching of expenditure towards the end of the financial year.

2. Public Accounts Committee as well as the C&AG of India have been commenting on recurring instances of excess expenditure in some Grants of Defence Services in their reports. Most recently an excess expenditure of Rs. 71.19 Crore in the Grant No. 22—Defence Services (Army) for the year 2007-08 has been pointed out in the 7th Report of the PAC (15th Lok Sabha) on "Excess over Voted Grants and Charged Appropriations (2007-2008)", which requires regularization by the Parliament under Article 115(1)(b) of the Constitution.

3. As per the existing instructions, a copy of the minutes of the meeting of the Monitoring Group is to be sent to the office of the Secretary (Defence Finance) for the information of the Secretary (Defence Finance). However, such copies are being received infrequently, which indicates that the Monitoring Groups for controlling Defence expenditure are not meeting regularly.

4. It is, therefore, again reiterated that in order to ensure even flow of expenditure and to avoid any excess expenditure/savings in any Grant, the instructions issued on 'Monitoring and Control of Defence Expenditure' should be followed strictly

and meetings of the Monitoring Groups should be held regularly. The proceedings of such meetings should invariably be endorsed to the Secretary (Defence Finance).

Sd/-
(Amit Cowshish)
JS & Addl. FA (A)

FA (Acq)
All Joint Secretaries/Addl FAs & JS/FMs
DG FP, ACNS (P&P), ACAS (Fin. P), DGOF
CCR&D (R&M), DGQA, DGNCC, DGMF, DGAQA, Dte. of Standardisation
CGDA

MoD (Fin) ID No. 17(4)/Cir/Bud-I/2006 dated 31st May, 2010.

Copy for information to:—PS to Secretary (Def Fin).

MINISTRY OF DEFENCE (FINANCE)
(BUDGET-I)

SUBJECT: **Monitoring and Control of Defence Expenditure 2006-2007—Meeting held by RM.**

Reference: MoD ID No. 34(4)/2006/D (O&M), dated 11-07-06.

Instructions have been issued from time to time to monitor the progress of Defence expenditure at all levels to avoid any large-scale savings or excesses. For this purpose Departmental Monitoring Groups headed by FA (Acq) in r/o Acquisition heads and Addl. FAs in r/o other heads have been constituted and requested the hold regular meetings so as to prevent excesses/savings under various Heads and bunching of expenditure towards the end of financial year.

2. In this connection R.M. also took a meeting of the senior officers and gave some directions about important issues including meeting the expenditure targets. He also observed that the progress of expenditure in the current year so far was poor and therefore desired that the short fall should be made up in the 2nd and 3rd quarter so that the stipulated 67% expenditure can be achieved by 31st Dec., 2006. The deadline has to be followed and targets fulfilled. He also indicated that if the expenditure progresses speedily, he could even propose for more funds for Defence in Supplementary Demands during the winter session of Parliament and even demand higher allocation for the next year.

3. The Defence Secretary in the same meeting also observed that two-third of budgetary provision should be spent by the end of calendar year. If this is not done expeditiously and cases languish, it will be difficult to resolve the matter at the end of the year resulting in surrender of funds. The existing procedure of decision making by a collegium of officers can be expanded by including experienced officers from Forces and complemented by Defence Finance/CGDA and other senior officials. There should be a thorough review every month on the progress made.

4. The above observations of the R.M. all the Defence Secretary are mainly based on the fact that the CGDAs All Indian Compilation for the month of June, 2006 shows a very slow progress of expenditure particularly under capital heads.

5. It is therefore, requested that all efforts by made at all levels to meet the expenditure target against budgetary allocation and ensure that no surrenders are made at any stage.

Sd/-
(Amit Cowshish)
Addl. FA (A)

FA (Acq)	for Acquisition cases of three Services & HQIDS
Addl. FA (M)	for Air Force, Army (Q, AG&CG)
Addl. FA (H)	for DGOF
Addl. FA (AM)	for DGQA, Army (Land & Works)
Addl. FA (J)	for R&D (including ATVP, Dte. of Std., DGAQA)
Addl. FA (A)	for Ordnance/Navy (Other than Acquisition Heads)
IFA (CIDS & SFC)	

MoD (Fin) ID No. 17(3)/B-I/2004 dated 24.7.2006.

Copy to:—

DG (Acq), AS(J),	AS(B)	AS(DP),
JS&AM(MS),	JS&AM(LS),	JS&AM(Air),
JS(G/Air), JS(C&W),	JS(PIC),	JS(O/N)
CCR&D(R),	All FMs,	Dir.(Fin/Acq),
Dir. (Fin/Navy),	Dir.(Fin/AF/Og),	
Dir. (Fin AF/Acq),	Dir. (Fin/O)	DFA (Navy).

Copy also to for similar action:—

ADGFP, Army HQ
ACNS (P&P.), Naval HQ
ACAS (Fin P), Air HQ
DGOF, ATVP, DGQA
Dte. of Standardisation, DGAQA,

MINISTRY OF DEFENCE (FINANCE)
(BUDGET DIVISION)

South Block, New Delhi

SUBJECT: **Monitoring and Control of Defence Expenditure against the sanctioned Grant/Appropriation.**

Instructions have been issued from time to time to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses. For this purpose Departmental Monitoring Groups headed by FA (Acq) in respect of Acquisition heads and Addl. FAs &JS in respect of other heads are required to hold regular meetings to review the progress and trends of expenditure and to identify steps to be taken to prevent excess/savings under various heads and bunching of expenditure towards the end of the financial year.

2. While examining the 'Excess over Voted Grants and Charged Appropriation (2005-2006)' the Public Accounts Committee (14th Lok Sabha) in their 54th Report have observed that "the trend of incurring excess expenditure despite obtaining supplementary grants continues indicating that not only the Budget Estimates are not adequately made, even at the Supplementary Demand Stage requirements projected are not realistic."

3. Keeping in view the above observations of the Public Accounts Committee, it is once again emphasized that strict and regular watch should be kept over the pace of expenditure to avoid excessive rush of expenditure, particularly towards the end of the financial year, and also limiting the expenditure to the allocation authorized by Ministry of Finance and the Parliament. In case the amount of a Grant falls short of the requirement, a supplementary grant may be obtained before the expenditure is incurred. While obtaining supplementary demands for grants, the amount of supplementary demand may be assessed realistically so that the amount of Supplementary Grant neither falls short of the actual requirement resulting in excess expenditure as pointed out by the Public Accounts Committee, nor the amount is drawn in excess of the requirement resulting finally in surrender of the amount of grant.

4. The above instructions as well as the earlier instructions issued on the subject should be followed scrupulously in order to avoid any excess expenditure against any Grants. Service Hqrs/Departments are also requested to issue necessary instructions in this regard to all the budget controlling authorities under their administrative control to eliminate the instances of excess expenditure. Office of the CGDA may also

issue suitable instructions to all concerned to ensure that payments are authorized only against availability of funds.

Sd/-
(Mukesh Kumar Sinha)
Director (Fin/Budget)

FA (Acq)
All Joint Secretaries/Addl FAs & JS/FMs
Addl DGFP, PDNP, D Fin P, DGOF
CCR&D, DGQA, DGNCC, DGMF, DGAQA
CGDA, Dte of Standardisation

MoD (Fin) ID No. 10(7)/Bud-I/2007 dated 9th September, 2008.

Copy to:—

1. Deptt. of Economic Affairs (Budget Division), Ministry of Finance.
2. DGADS.

Confidential
Most Immediate
Budget

MINISTRY OF DEFENCE
(FINANCE DIVISION)

SUBJECT: **Modified Appropriation 2010-2011.**

Minor Head-wise breakup as adopted in Modified Appropriation 2010-2011 in respect of ARMY is indicated in the enclosed statement. This is, however, subject to approval of Ministry of Finance with whom the proposal for the same has been taken up.

2. Attention is invited in this regard to the observations of the Public Accounts Committee (15th Lok Sabha) in their 22nd Report, in the context of excess of expenditure over the voted grants and charged appropriations—

> "The Committee feel that incurring such huge amounts of excess expenditures over and above the budgetary provisions sanctioned by the Parliament at different stages of budget do not augur well for ensuring proper and judicious utilization of public funds besides undermining the Parliamentary financial control. The unabated large excess expenditure by these Ministries is manifestation of the fact that they are still far from taking any noteworthy and suitable remedial measures to ensure proper budgeting and subsequent monitoring of the expenditure flow. This is deplorable considering the fact that the Committee have been emphasizing over the years for plugging the existing loopholes and deficiencies with a view to restricting the quantum of excess expenditure to the barest minimum in future." [Para 1].

3. It may thus be ensured that expenditure is restricted to the final allotments under MA 2010-11. Necessary instructions to this effect may be issued to all budget holders.

Sd/-
(Richa Misra)
Director (Fin/Bud)

DG FP

MoD (Fin) I.D. No. 1(4)/Bud-I/2011 dated 24.03.2011.

Copy to:—

DG(Acq)	AS(A)	AS(M)	FA(Acq) & AS
Addl FA(M)	Addl FA(K)	Addl FA(S)	FM(LS)
IFA(Army-O)	IFA(Army-Q)	IFA(Army-M)	

ANNEXURE VI

MINISTRY OF DEFENCE
(FINANCE/BUDGET)

Excess Note

NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARIZATION OF EXCESS EXPENDITURE IN RESPECT OF EXCESS OCCURRED UNDER REVENUE SECTION (VOTED) OF GRANT NO. 23—DEFENCE SERVICES—NAVY, AS DISCLOSED IN THE UNION GOVERNMENT APPROPRIATION ACCOUNTS (DEFENCE SERVICES) FOR THE YEAR 2009-2010.

GRANT NO. 23—DEFENCE SERVICES—NAVY

(Rs. in Thousands)

REVENUE SECTION (VOTED)		
Original Grant	:	84023800
Supplementary Grant	:	10333200
Total Grant	:	94357000
Actual Expenditure	:	95862103
Excess	:	1505103
Surrender during the year	:	Nil

2. Under Revenue Section (Voted) of Grant No. 23—Defence Services—Navy for the year 2009-2010 the total provision was Rs. 94357000 thousands. Against this, the expenditure of Rs. 95862103 thousands was incurred resulting in excess of Rs. 1505103 thousands (Rs. 1505103457)

3. The excess of Rs. 1505103 thousands was the net effect of total excesses of Rs. 1509268 thousands (voted) and total savings of Rs. 4165 thousands (voted) under various sub-heads of the Grant. The sub-heads under which excess of Rs. Five lakhs and above occurred and reasons therefore are explained as below:—

MAJOR HEAD - 2077

(i) **Minor Head - 101** (Rs. in Thousands)

Original Grant	:	16000000
Supplementary Grant	:	7333200
Re-appropriation	:	(+) 3077300
Total Grant	:	26410500
Actual Expenditure	:	26568960
Excess	:	158460

The excess of Rs. 1585 lakh in the Final Grant was due to less than required allocation at RE 09-10 stage.

(ii) **Minor Head - 104** (Rs. in Thousands)

Original Grant	:	12498000
Supplementary Grant	:	NIL
Re-appropriation	:	(+) 220300
Total Grant	:	12718300
Actual Expenditure	:	13140055
Excess	:	421755

The excess of Rs. 4218 lakh at the Final Grant was due to less than required allocation at RE 09-10 stages.

(iii) **Minor Head - 105** (Rs. in Thousands)

Original Grant	:	2250000
Supplementary Grant	:	NIL
Re-appropriation	:	(-) 100000
Total Grant	:	2150000
Actual Expenditure	:	2325401
Excess	:	175401

The excess of Rs. 1754 lakh in the Final Grant was mainly due to operational necessity to hire boats for coastal security and variation in advance drawn by personnel for moves and amount claimed post 6th CPC entitlements.

(iv) **Minor Head-106** (Rs. in Thousands)

Original Grant	:	5850000
Supplementary Grant	:	NIL
Re-appropriation	:	(-) 200000
Total Grant	:	5650000
Actual Expenditure	:	5715245
Excess	:	65245

The excess of Rs. 652 lakh in the Final Grant was mainly due to incurring committed liabilities in FY 2009-10.

(v) **Minor Head-110** (Rs. in Thousands)

Original Grant	:	32026100
Supplementary Grant	:	NIL
Re-appropriation	:	(-) 2776300
Total Grant	:	29249800
Actual Expenditure	:	29571082
Excess	:	321282

The excess of Rs. 3213 lakh in the Final Grant was mainly due to booking of Coast Guard and BSF fuel bills against Naval Budget by CDAs.

(vi)	**Minor Head-111**		(Rs. in Thousands)
	Original Grant	:	6719700
	Supplementary Grant	:	NIL
	Re-appropriation	:	(-) 300500
	Total Grant	:	6419200
	Actual Expenditure	:	6448662
	Excess	:	29462

The excess of Rs. 295 lakh in the Final Grant was mainly due to paying of liabilities already incurred by Commands based on BE allocations.

(vii)	**Minor Head-800**		(Rs. in Thousands)
	Original Grant	:	2484500
	Supplementary Grant	:	NIL
	Re-appropriation	:	(-) 416900
	Total Grant	:	2067600
	Actual Expenditure	:	2405263
	Excess	:	337663

The excess of Rs. 3377 lakh in the Final Grant was mainly due to additional payment for Pilots training in USA due to freshly concluded agreement not allocated in projections.

4. Respective budget holders have been instructed to formulate the Budget estimates on most realistic basis and to keep the expenditure under constant review by monitoring it regularly with reference to the allocations made and to ensure that there is neither any excess nor large scale savings over the sanctioned budgetary provisions.

5. In order to avoid recurrence of any excess, instructions have been issued to all concerned emphasizing the need to follow the instructions issued on the subject more scrupulously and to monitor the progress of expenditure in a stricter manner apart from projecting the demands on factual basis and to the barest minimum depending on the actual requirements/obligations. To this end, Service HQrs/Deptt. have also been requested to issue necessary instructions to all budget controlling authorities in their lower formations to follow the instructions issued on the subject meticulously so as to avoid any saving/excess.

6. Earlier, instructions were issued *vide* MoD (Fin.) ID No. 17(1)/B-I/1999 Dated 13-12-2005 and 27-1-2006 (copies enclosed) to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses. In addition, Inter Departmental Monitoring Groups headed by FA (Acq) in respect of Acquisition Heads and Addl. FAs in respect of other Heads have been requested *vide* MoD (Fin.) ID No. 17(3)/B-I/2004 Dated 01-08-2007, 25-09-2009 and 31-05-2010 (copies enclosed) to hold regular meetings so as to prevent occurrence of excesses/savings under various Heads and rush of expenditure towards the end of financial year.

7. FA (Acq) and all Addl. FAs, as also the Services Hqrs have been requested *vide* Min. of Def. (Fin.) ID No. 17(3)/B-I/2004 Dated 24-7-2006 and ID No. 10(7)/Bud-I/2007 Dated 09-09-2008 (copies enclosed) to ensure the progress of expenditure to the tune of 67% of the BE allocation by December as directed by Finance Minister. It has also been advised that for Supplementary Demands for Grants, the amount of supplementary demand may be assessed realistically so that the amount of Supplementary Demand neither falls short of the actual requirement resulting in excess expenditure, nor the amount is drawn in excess of the requirement resulting finally in surrender of the amount of supplementary. These instructions have also been reiterated *vide* MoD (Fin) ID No. 1(4)/Bud-1/2011 dated 20-03-2011.

8. In the circumstances explained above, the excess of Rs. 1505103 thousand (Rs. 1505103457) may kindly be recommended for regularization by the Parliament under Article 115(i) (b) of the Constitution.

Sd/-

(Veena Prasad)
Addl. FA (VP) & JS

File No. 7 (2)/Bud-I/2011

Most Immediate

MINISTRY OF DEFENCE (FINANCE)
(BUDGET-I)

SUBJECT: **Monitoring and Control of Defence Expenditure-2005-2006.**

As per the instructions issued *vide* MoD ID No. 8737-S/Def. Secy./91 dated 27-12-91, (copy enclosed), Inter Departmental Monitoring Groups were constituted in the year 1991-92 to closely monitor the progress of expenditure and pending liabilities to ensure optimal use of resources. The Departmental Monitoring Groups would now consist of FA (Acq)/the concerned Addl FA as convenor, concerned Joint Secretary, FMs concerned, Flag rank officer from Service Hqrs and representatives of CGDA/CDA.

2. The Standing Committee on Defence while examining the Demands for Grants for the year 2002-03 and 2003-04 had taken a serious view of the unspent funds and had recommended that the amounts allotted should be fully utilised for the purchase of new weapon systems, modernisation and upgradation of the existing systems so as to ensure that no surrender of funds is made. Further, the C&AG has also commented adversely in the past on the overall unspent provisions *vis-a-vis* the budgetary outlays. In this regard, necessary instructions were issued *vid*e MoD ID No. 10(1)/B-I/2002 dated 8.10.2002 to all concerned to monitor the progress of expenditure constantly in a more vigilant manner. Services Hqrs/Departments had also been requested to issue instructions in this regard to all the Budget Controlling Authorities under their administrative control to eliminate instances of large scale savings/excess.

3. During a recent meeting with Financial Advisors of various Ministries of Govt. of India, Finance Minister reviewed the implementation of his directions issued last year regarding expenditure of minimum 67% of BE allocation by December and emphasized that no Ministry/Department would be permitted to spend more than 1/3rd of their Budgetary allocation after December. Finance Minister has directed that in 2005-06, no explanation will be accepted for exceeding 33% in the last quarter. All concerned must plan right from now to ensure proper pace of expenditure. He has also directed that in case any Ministry/Deptt. is not able to spend 67% by December end, it will not be allowed to spend more that 33% in the last quarter. In this regard, a letter No. 11(23)/B-I/2004, dated 24-5-2005 may please be referred to.

4. The trend of expenditure during the current financial year indicates that unless effective monitoring and control is exercised, savings may result under various revenue and capital heads. With a view to ensuring a constant and uniform pace of expenditure *vis-a-vis* the santioned provisions it is essential that the progress of expenditure is monitored at all levels and contained within the sanctioned allocations in order to avoid any large scale savings or excesses.

5. The Monitoring Groups headed by FA(Acq) (in respect of acquisition heads) and Addl. FAs (in respect of rest of the heads) are, therefore, requested to hold regular meetings on a fortnightly basis during December, 2005 and January, 2006 and on weekly basis in February and March, 2006 so as to prevent excesses/savings under

various Heads and bunching of expenditure towards the year end, duly taking into account all factors like actual drawal from LCs, status of contracted and uncontracted schemes, supply position in respect of contracts, progress of civil works, etc. It is pertinent to mention that CGDA now provides weekly compilation of expenditure from August, 2005 to this Ministry to enable us to monitor the progress of expenditure effectively.

6. The minutes of the meetings, explaining, *inter alia* the position regarding budgetary targets/deviations, if any, and corrective measures adopted, may please be put up to FA(DS) regularly and copy endorsed to Director (Fin./Budget).

Sd\-
(Amit Cowshish)
Addl. FA(A)

FA(Acq)	for Acquisition cases of three Services & HQ IDS
Addl. FA(M)	for Air Force, Army (Q, AG & GS)
Addl. FA(H)	for DGOF
Addl. FA(AM)	for DGQA, Army (Land & Works)
Addl. FA(J)	R&D {including ATVP, Dte. of Std., DTD&P (Air)}
Addl. FA(A)	for Ordnance/Navy (Other than Acquisition Heads)
IFA, CIDS & SFC	

MoD Fin. ID No. 17(1)/B-I/1999 dated 13.12.2005

Copy to :— DG(Acq), AS(I), AS(DP), JS&AM(MS), JS&AM(LS), JS&AM(Air), JS(O/N), JS(G/Air), JS(C&W), JS(PIC), CCR&D(R), All FMs, IF A(Navy), IFA(AF), IF.As(ARMY), Director(Fin./Acq) Director(Fin./Navy) Director(Fin./AF/Acq) Dir.(Fin./O) Dir.(Fin./AF/Org.) DFA(Navy)

MINISTRY OF DEFENCE (FINANCE)
BUDGET-I

SUBJECT: **Monitoring and Control of Defence Expenditure 2005-2006.**

Reference: MoD (Fin.) I.D. No. 17(1)/B-1/1999 dated 13.12.2005.

It may be recalled that the above referred note was issued with the request that the Monitoring Groups headed by FA (Acquisition) (in respect of Acquisition Heads) and Additional FAs (in respect of rest of the Heads) may hold regular meetings on a fortnightly basis during December, 2005 and January, 2006 and on weekly basis in Feb. and March, 2006 so as to prevent excesses/savings under various Heads and bunching of expenditure towards the year end, duly taking into account all factors like actual drawal from LCs, status of contracted and uncontracted schemes, supply position in respect of contracts, progress of civil works, etc.

2. It is observed from the CGDA's compilation for the month of December, 2005 that the progress of expenditure is very slow particularly in Capital Heads, keeping this in view the Defence Secretary had taken a meeting on 20th January, 2006 reiterating that the real challenge before us is to ensure that the allocation made is fully expended. It is, therefore, requested that all efforts be made to meet the expenditure target against budgetary allocation and to ensure that no surrenders are made at any stage.

Sd\-
(Amit Cowshish)
Addl. FA(A) & J.S.

FA(Acq) for Acquisition cases of three Services & HQ IDS
Addl. FA(M) for Air Force, Army (Q, AG&CG)
Addl. FA(H) for DGOF
Addl. FA(AM) for DGQA, Army (Land & Works)
Addl. FA(J) for R&D (including ATVP, Dte. of Std., DTD&P (Air)
Addl. FA(A) for Ordnance/Navy (Other than Acquisition Heads)
IFA,CIDS & SFC

MoD (Fin.) ID No. 17(1)/B-I/1999 dated 27.01.2006.
Copy to:—

DG(Acq)	AS(I)	AS(DP),
JS&AM(MS)	JS&AM(LS),	JS&AM(Air),
JS(O/N),	JS(G/Air),	JS(C&W),
JS(PIC),	CCR&D(R),	All FMs,
Dir. (Fin./Acq),	Dir.(Fin./Navy),	Dir. (Fin./AF/Org.)
Dir. (Fin.AF/Acq),	Dir. (Fin./O)	DFA (Navy).

MINISTRY OF DEFENCE
(FINANCE/BUDGET)

SUBJECT: **Monitoring and Control of Defence Expenditure.**

Ref: (i) Ministry of Defence ID No. 34(4)/2006/D(O&M) dt. 11.07.2006.

(ii) Ministry of Defence (Fin.) ID No. 17(3)/B-I/2004 dt. 24.07.2006.

Instructions have been issued from time to time regarding monitoring of progress of defence expenditure. For this purpose Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisition heads and Addl. FAs in respect of other heads are required to hold regular meetings so as to prevent excesses/ savings under various Heads and bunching of expenditure towards the end of financial year.

2. As per the existing instructions, minutes of the monthly meetings are required to be submitted to the FA(DS) for information and a copy of the minutes is also required to be sent to the Budget Section. However, during the current financial year, Budget Section has not received copies of the minutes of such meetings.

3. In the meetings taken by the R.M. on 4th April 2007 and 7th May 2007, he had, *inter alia*, given the following directions:

(a) Funds should not be parked with the PSUs in desperation and that there should be proper jointness among the three Services.

(b) The targets including procurement targets to be achieved in a phased manner. January should be the deadline and efforts should begin with first quarter only.

This may please be kept in view while reviewing progress of expenditure.

4. It is, therefore reiterated that regular meetings may please be held to monitor the progress of expenditure so as to prevent excesses/savings under various Heads and bunching of expenditure towards the end of financial year. The minutes of the meetings explaining, *inter alia*, the position regarding budgetary targets/deviations, if any, and

corrective measures adopted may please be put up to FA(DS) regularly and copy endorsed to Director (Fin./Budget).

Sd/-

(Mukesh Kumar Sinha)
Director (Fin./Budget)

FA(Acq) & Addl. Secy.	for Acquisition cases of three Services & HQ IDS
Addl. FA (M) & JS	for Air Force, Army (Q, AG&CG)
Addl. FA (H) & JS	for DGOF
Addl. FA (AM) & JS	for DGQA, Army (Land & Works)
Addl. FA (J) & JS	for R&D (including ATVP, Dte. of Std., DGA QA, etc.)
Addl. FA (A) & JS	for Ord/Navy (Other than Acquisition Heads), Coasts Guard & HQ IDS

MoD (Fin.) ID No. 17(3)/B-I/2004 dated 1.8.2007

MINISTRY OF DEFENCE
(FINANCE/BUDGET)

SUBJECT: **Monitoring and Control of Defence Expenditure.**

Instructions have been issued from time to time regarding monitoring of progress of defence expenditure. For this purpose Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisition heads and JS & Addl. FAs in respect of other heads are required to hold regular meetings so as to prevent excesses/savings under various Heads and bunching of expenditure towards the fag end of financial year.

2. As per the existing instructions, minutes of these meetings are required to be submitted to the Secretary (Defence Finance) for information and a copy of the minutes is also required to be sent to the Budget Section. However, during the current financial year, Budget Section has not received copies of the minutes of any such meetings. It is, therefore, requested that the meetings may be held regularly.

3. While reviewing progress of expenditure, it may be kept in view that—

(a) Funds are not parked with the PSUs and that there is proper Jointness among the three Services.

(b) Rush of expenditure towards the end of the financial year continues to be an area of concern. As per extant instructions, as brought out in the economy instructions issued by Deptt. of Expenditure on 5th June, 2008, not more than one-third (33%) of the Budget Estimates may be spent in the last quarter of the financial year.

(c) As stipulated in the economy instructions issued by Deptt. of Expenditure on 5th June, 2008, all advance payments to implementing/production agencies for any scheme/project/acquisition are limited to 10% of the approved financial outlay in the fiscal year. Subsequent payments must be strictly related to deliverables/milestones. This restriction may be applicable in the case where expenditure is effected through a contract.

(d) Prior approval of Department of Expenditure is required for re-appropriation under a sub-head by a sum of Rs. 5 crore or more and it must indicate matching savings under the relevant sub-head.

(e) Economic measures as per instructions issued by Department of Expenditure from time to time are observed. As there is need for further economy and rationalization of expenditure, the guidelines issued by Deptt. of Expenditure on 7th September, 2009 towards austerity measures especially towards 10% cut on Non-Plan expenditure under the following heads may be observed:

(i) Domestic and Foreign Travel expenses

(ii) Publications

(iii) Professional Services

(iv) Advertising and Publicity

(v) Office Expenses

(vi) POL (except for security related requirement)

(vii) Other administrative expenses.

4. It has been observed that instances of excesses/savings under different grants of the Defence Services are reported in the Report of C&AG of India highlighting improper management of Defence expenditure. With a view to ensuring a constant and uniform pace of expenditure *vis-a-vis* the sanctioned provisions it is essential that the progress of expenditure is monitored at all levels and contained within the sanctioned allocations in order to avoid any large scale savings or excesses. It is, therefore, reiterated that regular meetings may please be held to monitor the progress of expenditure so as to prevent excess/savings under various Heads and bunching of expenditure towards the end of financial year. The minutes of the meeting explaining, *inter alia*, the position regarding budgetary targets/deviations, if any, and corrective measures adopted may please be submitted to Secretary (Defence Finance) regularly and copy endorsed to Director (Fin./Budget).

5. The above instructions as well as the earlier instructions issued on the subject should be followed scrupulously in order to avoid any excess expenditure against any Grants. Service HQrs/Departments are also requested to issue necessary instructions in this regard to all the budget controlling authorities under their administrative control to eliminate the instances of excess expenditure/savings. Office of the CGDA may also issue suitable instructions to all concerned to ensure that payments are authorized only against availability of funds.

Sd/-
(Amit Cowshish)
JS & Addl. FA(A)

FA (Acq)

All Joint Secretaries/JS & Addl FAs/FMs

DG FP, PDNP, D Fin P. DGOF

CCR&D DGQA, DGNCC, DGMF, DGAQA, Dte. of Standardisation, CGDA

MoD (Fin.)(ID No. 17(4)/Cir./Bud.-I/2006 dated 25th September, 2009

Copy for information to:—

1.Deptt. of Economic Affairs (Budget Division), Ministry of Finance

2.DGADS.

MINISTRY OF DEFENCE (FINANCE)
(BUDGET DIVISION)

SUBJECT: **Monitoring and Control of Defence Expenditur**e.

Reference: (i) MoD (Fin) ID No. 17(4)/Cir/Bud-I/2006 dated 25th September, 2009

(ii) MoD (Fin) ID No. 10(7)/Bud-I/2007 dated 9th September, 2008

(iii) MoD (Fin) ID No. 17(3)/B-I/2004 dated 1.8.2007

(iv) MoD (Fin) ID No. 17(3)/B-I/2004 dated 24.7.2006

(v) MoD (Fin) ID No. 17(1)/B-I/1999 dated 13.12.2005

Instructions have been issued from time to time *vide* above-mentioned references, as well as the previous ones, to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses. For this purpose, Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisition heads and JS & Addl. FAs in respect of other heads are required to hold regular meetings to review the progress and trends of expenditure and to identify steps to be taken to prevent excess/ savings under various heads and bunching of expenditure towards the end of the financial year.

2. Public Accounts Committee as well as the C&AG of India have been commenting on recurring instances of excess expenditure in some Grants of Defence Services in their reports. Most recently an excess expenditure of Rs 71.19 Crore in the Grant No. 22—Defence Services (Army) for the year 2007-08 has been pointed out in the 7th Report of the PAC (15th Lok Sabha) on "Excesses over Voted Grants and Charged Appropriations (2007-08)", which requires regularization by the Parliament under Article 115(1)(b) of the Constitution.

3. As per the existing instructions, a copy of the minutes of the meeting of the Monitoring Group is to be sent to the office of the Secretary (Defence Finance) for the information of the Secretary (Defence Finance). However, such copies are being received infrequently, which indicates that the Monitoring Groups for controlling Defence expenditure are not meeting regularly.

4. It is, therefore, again reiterated that in order to ensure even flow of expenditure and to avoid any excess expenditure/savings in any Grant, the instructions issued on 'Monitoring and Control of Defence Expenditure' should be followed strictly and

meetings of the Monitoring Groups should be held regularly. The proceedings of such meetings should invariably be endorsed to the Secretary (Defence Finance).

Sd/-
(Amit Cowshish)
JS & Addl. FA(A)

FA (Acq)

All Joint Secretaries/Addl. FAs & JS/FMs

DG FP, ACNS (P&P), ACAS (Fin. P), DGOF

CCR&D (R&M), DGQA, DGNCC, DGMF, DGAQA, Dte. of Standardisation, CGDA

MoD (Fin.) ID No. 17(4)/Cir./Bud.-I/2006 dated 31st May, 2010.

Copy for information to:— PS to Secretary (Def. Fin.)

MINISTRY OF DEFENCE (FINANCE)

(BUDGET-I)

SUBJECT: **Monitoring and Control of Defence Expenditure 2006-07—Meeting held by RM.**

Reference: MoD ID No. 34(4)2006/D (O&M), dated 11.07.2006.

Instructions have been issued from time to time to monitor the progress of Defence expenditure at all levels to avoid any large scale savings or excesses. For this purpose Departmental Monitoring Groups headed by FA (Acq.) in r/o. Acquisition heads and Addl. FAs in r/o. other heads have been constituted and requested to hold regular meetings so as to prevent excesses/savings under various Heads and bunching of expenditure towards the end of financial year.

2. In this connection R.M. also took a meeting of the senior officers and gave some directions about important issues including meeting the expenditure targets. He also observed that the progress of expenditure in the current year so far was poor and therefore desired that the short fall should be made up in the 2nd and 3rd quarter so that the stipulated 67% expenditure can be achieved by 31st December, 2006. The deadline has to be followed and targets fulfilled. He also indicated that if the expenditure progresses speedily, he could even propose for more funds for Defence in Supplementary Demands during the winter session of Parliament and even demand higher allocation for the next year.

3. The Defence Secretary in the same meeting also observed that two-third of budgetary provision should be spent by the end of calendar year. If this is not done expeditiously and cases languish, it will be difficult to resolve the matter at the end of the year resulting in surrender of funds. The existing procedure of decision-making by a collegium of officers can be expanded by including experienced officers from Forces and complemented by Defence Finance/CGDA and other senior officials. There should be a thorough review every month on the progress made.

4. The above observations of the R.M. and the Defence Secretary are mainly based on the fact that the CGDAs All India Compilation for the month of June, 2006 shows a very slow progress of expenditure particularly under capital heads.

5. It is, therefore, requested that all efforts be made at all levels to meet the expenditure target against budgetary allocation and ensure that no surrenders are made at any stage.

Sd/-
(Amit Cowshish)
Addl. FA(A)

FA (Acq)	for Acquisition cases of three Services & HQ IDS
Addl. FA (M)	for Air Force, Army (Q, AG&CG)
Addl. FA (H)	for DGOF
Addl. FA (AM)	for DGQA, Army (Land & Works)
Addl. FA (J)	for R&D (including ATVP, Dte. of Std., DGAQA)
Addl. FA (A)	for Ordnance/Navy (Other than Acquisition Heads)
IFA (CIDS & SFC)	

MoD (Fin) ID No. 17(3)/B-I/2004 dated 24.7.2006.

Copy to:—

DG (Acq), AS (J),	AS (B),	AS (DP),
JS&AM (MS),	JS&AM (LS),	JS&AM (Air),
JS (G/Air), JS (C&W),	JS (PIC),	JS (O/N),
CCR&D (R),	All FMs,	Dir. (Fin./ Acq),
Dir. (Fin./Navy),	Dir. (Fin./AF/Org.),	
Dir. (Fin. /AF/Acq.),	Dir. (Fin./O),	DFA (Navy).

Copy also to for similar action:—

ADGFP, Army HQ
ACNS (P&P), Naval HQ
ACAS (Fin. P), Air HQ
DGOF, ATVP, DGQA
Dte. of standardisation, DGAQA.

MINISTRY OF DEFENCE (FINANCE)
(BUDGET DIVISION)

South Block, New Delhi

SUBJECT: **Monitoring and Control of Defence Expenditure against the sanctioned Grant/Appropriation.**

Instructions have been issued from time to time to monitor the progress of Defence Expenditure at all levels to avoid any large scale savings or excesses. For this purpose Departmental Monitoring Groups headed by FA(Acq) in respect of Acquisition heads and Addl. FAs & JS in respect of other heads are required to hold regular meetings to review the progress and trends of expenditure and to identify steps to be taken to prevent excess/savings under various heads and bunching of expenditure towards the end of the financial year.

2. While examining the 'Excess over Voted Grants and Charged Appropriation (2005-2006)' the Public Accounts Committee (14th Lok Sabha) in their 54th Report have observed that, "the trend of incurring excess expenditure despite obtaining supplementary grants continues indicating that not only the Budget Estimates are not adequately made, even at the Supplementary Demand Stage requirements projected are not realistic".

3. Keeping in view the above observations of the Public Accounts Committee, it is once again emphasized that strict and regular watch should be kept over the pace of expenditure to avoid excessive rush of expenditure, particularly towards the end of the financial year, and also limiting the expenditure to the allocation authorized by Ministry of Finance and the Parliament. In case the amount of a Grant falls short of the requirement, a supplementary grant may be obtained before the expenditure is incurred. While obtaining supplementary demands for grants, the amount of supplementary demand may be assessed realistically so that the amount of Supplementary Grant neither falls short of the actual requirement resulting in excess expenditure as pointed out by the Public Accounts Committee, nor the amount is drawn in excess of the requirement resulting finally in surrender of the amount of grant.

4. The above instructions as well as the earlier instructions issued on the subject should be followed scrupulously in order to avoid any excess expenditure against any Grants. Service HQrs/Departments are also requested to issue necessary instructions in this regard to all the budget controlling authorities under their administrative control to eliminate the instances of excess expenditure. Office of the CGDA may also issue

suitable instructions to all concerned to ensure that payments are authorized only against availability of funds.

Sd/-
(Mukesh Kumar Sinha)
Director (Fin./Budget)

FA (Acq.)
All Joint Secretaries/Addl. FAs & JS/FMs
Addl. DGFP, PDNP, D Fin. P, DGOF
CCR&D, DGQA, DGNCC, DGMF, DGAQA
CGDA, Dte. of Standardisation

MoD (Fin.) ID No. 10(7)/Bud.-I/2007, dated 9th September, 2008.

Copy to:—

1. Deptt. of Economic Affairs (Budget Division), Ministry of Finance
2. DGADS.

Confidential
Most Immediate
Budget

MINISTRY OF DEFENCE
(FINANCE DIVISION)

SUBJECT : **Modified Appropriation 2010-2011.**

Minor Head-wise breakup as adopted in Modified Appropriation 2010-2011 in respect of ARMY is indicated in the enclosed statement. This is, however, subject to approval of Ministry of Finance with whom the proposal for the same has been taken up.

2. Attention is invited in this regard to the observations of the Public Accounts Committee (XV Lok Sabha) in their XXII Report, in the context of excess of expenditure over the voted grants and charged appropriations—

"The Committee feel that incurring such huge amounts of excess expenditure over and above the budgetary provisions sanctioned by the Parliament at different stages of budget do not augur well for ensuring proper and judicious utilization of public funds besides undermining the Parliamentary financial control. The unabated large excess expenditure by these Ministries is manifestation of the fact that they are still far from taking any noteworthy and suitable remedial measures to ensure proper budgeting and subsequent monitoring of the expenditure flow. This is deplorable considering the fact that the Committee have been emphasizing over the years for plugging the existing loopholes and deficiencies with a view to restricting the quantum of excess expenditure to the barest minimum in future." [Para 1].

3. It may thus be ensured that expenditure is restricted to the final allotments under MA 2010-11. Necessary instructions to this effect may be issued to all budget holders.

Sd/-
(Richa Misra)
Director (Fin./Bud.)

DG FP

MoD(Fin.) I.D. No. 1(4)/Bud.-I/2011, dated 24-03-2011.

Copy to:—

DG (Acq.)	AS(A)	AS(M)	FA(Acq.) & AS
Addl. FA(M)	Addl. FA(K)	Addl. FA(S)	FM(LS)
IFA(Army-O)	IFA(Army-Q)	IFA(Army-M)	

ANNEXURE VII

GOVERNMENT OF INDIA
MINISTRY OF COMMUNICATIONS & IT
DEPARTMENT OF POSTS

Excess Note:

Note for Public Accounts Committee in respect of excess occurred under Revenue Section (Voted) of Grant No. 13, Ministry of Communications (Department of Posts) as disclosed in the Union Government Appropriation Accounts (Civil) for 2009-10.

1. Revenue Section (voted) (Fig. in Rs.)

Original Grant	120901000000
Supplementary Grant	4366000000
Total	125267000000
Actual Expenditure	133448299976
Excess Expenditure	8181299976

2. Under Revenue (Voted) of Grant No. 13, Ministry of Communications &IT, Department of Posts for 2009-10, the total provision was Rs. 120901000000. This was augmented to Rs. 125267000000 by obtaining Suplementary Grant of Rs. 4366000000. Against this, the expenditure of Rs. 133448299976 was incurred resulting in excess expenditure of Rs. 8181299976.

3. The excess of Rs. 8181299976 was under Revenue Section (Voted) under various sub-heads of the Grant. The sub-heads under which the excess of Rs. 5 lakh and above occurred and reasons thereof are explained below:—

Department of Posts
Demand No. 13

Major head 3201— Working Expenses (Voted)

(₹ in thousands)

Original Grant	120901000
Supplementary Grant	4366000
Re-appropriation	0
Total	125267000

Actual Expenditure	133448299
Excess	8181299

Summary of Excess Expenditure and reasons thereof

(i) Sub-head 3201-01-101-01 (₹ in thousands)
Circle Office

Original Grant	1477565
Supplementary Grant	4500
Re-appropriation	367935
Total	1850000
Actual Expenditure	1893403
Excess	43403

Negligible in view of Grant, however excess was due to increase in rate of claims and hike in DA.

(ii) Sub-head 3201-01-101-03 (₹ in thousands)
Postal Divisions

Original Grant	2925965
Supplementary Grant	16600
Re-appropriation	398255
Total	3340820
Actual Expenditure	3463797
Excess	122977

Excess was due to increase in rate of claims & hike in DA.

(iii) Sub-head 3201-02-003-01 (₹ in thousands)
Operational trainings

Original Grant	168500
Supplementary Grant	0
Re-appropriation	5100
Total	173600
Actual Expenditure	185156
Excess	11556

Excess was due to clearance of committed liabilities in training.

(iv) Sub-head 3201-02-003-02 (₹ in thousands)
Training Institute Learning

Original Grant	139700
Supplementary Grant	0
Re-appropriation	-32000
Total	107500
Actual Expenditure	109400
Excess	1900

Negligible, however excess owing to committed expenditure but reduction in Grant at RE stage.

(v) Sub-head 3201-02-003-03 (₹ in thousands)
Working Place learning

Original Grant	20800
Supplementary Grant	0
Re-appropriation	-3500
Total	17300
Actual Expenditure	17636
Excess	336

Negligible.

(vi) Sub-head 3201-02-101-01 (₹ in thousands)
Existing Post offices

Original Grant	42243070
Supplementary Grant	1363900
Re-appropriation	1231630
Total	44838600
Actual Expenditure	47316738
Excess	2478138

Excess was due to increase in rate of claims and hike in DA.

(vii) Sub-head 3201-02-101-10 (₹ in thousands)
GDS

Original Grant	20728400
Supplementary Grant	0
Re-appropriation	-4065780
Total	16662620

Actual Expenditure	18296744
Excess	1634124

Excess was due to implementation of GDS committee report, normal increase in Pay and DA hike.

(viii) Sub-head 3201-02-101-02 (₹ in thousands)
Opening and upgrading of Post offices

Original Grant	7860
Supplementary Grant	0
Re-appropriation	-5610
Total	2250
Actual Expenditure	7307
Excess	5057

Excess was due to reduction of Grant at RE stage by the Ministry of Finance.

(ix) Sub-head 3201-02-101-03 (₹ in thousands)
Postal Seals Office, Aligarh

Original Grant	2660
Supplementary Grant	0
Re-appropriation	60
Total	2720
Actual Expenditure	3037
Excess	317

Due to committed expenditure under salary head.

(x) Sub-head 3201-02-101-04 (₹ in thousands)
Premium product services

Original Grant	878820
Supplementary Grant	0
Re-appropriation	-19550
Total	859270
Actual Expenditure	888714
Excess	29444

Excess was due to more expenditure under Salaries than anticipated.

(xi) Sub-head 3201-02-101-09 (₹ in thousands)
Mass Mailing Service

Original Grant	85000
Supplementary Grant	0
Re-appropriation	8400
Total	93400

Actual Expenditure	96133
Excess	2733

Negligible.

(xii) Sub-head 3201-02-101-15 (₹ in thousands)
Work of CPI rural data collection

Original Grant	0
Supplementary Grant	0
Re-appropriation	0
Total	0
Actual Expenditure	2442
Excess	2442

Excess was due to implementation of Govt. proposals.

(xiii) Sub-head 3201-02-102-02 (₹ in thousands)
GDS Mail Man

Original Grant	320000
Supplementary Grant	0
Re-appropriation	7500
Total	327500
Actual Expenditure	398794
Excess	71294

Excess was due to revision of TRCA on implementation of GDS committee report.

(xiv) Sub-head 3201-02-103-02 (₹ in thousands)
Air

Original Grant	1312000
Supplementary Grant	0
Re-appropriation	453180
Total	1765180
Actual Expenditure	1772223
Excess	7043

Negligible.

(xv) Sub-head 3201-02-103-04 (₹ in thousands)
Departmental MMS for Ordinary Services

Original Grant	664350
Supplementary Grant	0
Re-appropriation	135650
Total	800000

Actual Expenditure	819846
Excess	19846

More Expenditure under Salaries than anticipated was due to increase in rate of claims increase in Pay and hike in DA.

(xvi) Sub-head 3201-02-103-06 (₹ in thousands)
Others

Original Grant	1360440
Supplementary Grant	0
Re-appropriation	114560
Total	1475000
Actual Expenditure	1534712
Excess	59712

More expenditure under Salaries than anticipated due to increase in rate of claims increase in Pay and hike in DA.

(xvii) Sub-head 3201-02-103-07 (₹ in thousands)
Logistics Post

Original Grant	27300
Supplementary Grant	0
Re-appropriation	2000
Total	29300
Actual Expenditure	34076
Excess	4776

Excess was due to more expenditure under Salaries than anticipated.

(xviii) Sub-head 3201-02-104-03 (₹ in thousands)
Modernization of operating system in Existing Post Offices

Original Grant	12500
Supplementary Grant	0
Re-appropriation	-7700
Total	4800
Actual Expenditure	6689
Excess	1889

Expenditure on account of committed liabilities but restriction in Grant at RE stage by the Ministry of Finance.

(xix) Sub-head 3201-02-104-05 (₹ in thousands)
Others items

Original Grant	1000000
Supplementary Grant	0
Re-appropriation	-1000000
Total	0

Actual Expenditure	652445
Excess	652445

Awaiting of clearance of expenditure on account of NREGA from MoRD.

(xx) Sub-head 3201-02-104-07 (₹ in thousands)
Software Refinement

Original Grant	0
Supplementary Grant	0
Re-appropriation	0
Total	0
Actual Expenditure	124
Excess	124

Expenditure on account of committed liabilities but restriction in grant at RE stage by the Ministry of Finance.

(xxi) Sub-head 3201-02-104-08 (₹ in thousands)
Annual Maintenance

Original Grant	270000
Supplementary Grant	0
Re-appropriation	-150000
Total	120000
Actual Expenditure	174980
Excess	54980

Expenditure on account of committed liabilities but restriction in Grant at RE stage by the Ministry of Finance.

(xxii) Sub-head 3201-03-101-01 (₹ in thousands)
Saving Bank control organization

Original Grant	929920
Supplementary Grant	0
Re-appropriation	212815
Total	1142735
Actual Expenditure	1148715
Excess	5980

Negligible.

(xxiii) Sub-head 3201-03-101-02 (₹ in thousands)
Saving Bank internal check organization

Original Grant	54730
Supplementary Grant	0
Re-appropriation	15270
Total	70000

Actual Expenditure	76559
Excess	6559

Excess Expenditure under OE and Minor works for running the office.

(xxiv) Sub-head 3201-03-101-08 (₹ in thousands)
PLI Branch circle offices

Original Grant	506005
Supplementary Grant	0
Re-appropriation	59095
Total	565100
Actual Expenditure	585865
Excess	20765

Excess was due to increase in rate of claims and DA hike.

(xxv) Sub-head 3201-03-101-10 (₹ in thousands)
PLI Kolkata

Original Grant	101840
Supplementary Grant	0
Re-appropriation	250
Total	102090
Actual Expenditure	103325
Excess	1235

Negligible.

(xxvi) Sub-head 3201-04-101-01 (₹ in thousands)
Cost of Pay and allowances of audit

Original Grant	600000
Supplementary Grant	0
Re-appropriation	79630
Total	679630
Actual Expenditure	713824
Excess	34194

Excess was due to increase in rate of claims and DA hike.

(xxvii) Sub-head 3201-04-101-03 (₹ in thousands)
Deduct amount tfd. to AG Audit

Original Grant	270100
Supplementary Grant	0
Re-appropriation	160900
Total	431000

Actual Expenditure	524660
Excess	93660

Based on Actual adjustment.

(xxviii) Sub-head 3201-04-101-04 (₹ in thousands)
Deduct amount tfd. to AG Audit

Original Grant	0
Supplementary Grant	0
Re-appropriation	0
Total	0
Actual Expenditure	18506
Excess	18506

Based on Actual adjustment.

(xxix) Sub-head 3201-04-102-02 (₹ in thousands)
PAO circle

Original Grant	2202100
Supplementary Grant	20700
Re-appropriation	107200
Total	2330000
Actual Expenditure	2761421
Excess	431421

Excess was due to increase in rate of claims normal increase of Pay and DA hike.

(xxx) Sub-head 3201-05-053-01 (₹ in thousands)
Buildings

Original Grant	724500
Supplementary Grant	0
Re-appropriation	-6200
Total	718300
Actual Expenditure	722313
Excess	4013

Negligible.

(xxxi) Sub-head 3201-05-053-03 (₹ in thousands)
Building establishment

Original Grant	299400
Supplementary Grant	0
Re-appropriation	30600
Total	330000

Actual Expenditure	367436
Excess	37436

Excess than anticipated was due to increase in rate of claims and DA hike.

(xxxii) Sub-head 3201-06-101-02 (₹ in thousands)
Departmental Canteen

Original Grant	95000
Supplementary Grant	0
Re-appropriation	15000
Total	110000
Actual Expenditure	126984
Excess	16984

Excess than anticipated was due to increased rate of claims and DA hike.

(xxxiii) Sub-head 3201-06-101-03 (₹ in thousands)
Dispensaries

Original Grant	318850
Supplementary Grant	0
Re-appropriation	69850
Total	388700
Actual Expenditure	400300
Excess	11600

Excess than anticipated was due to increased rate of claims and DA hike.

(xxxiv) Sub-head 3201-06-101-05 (₹ in thousands)
Payment under CGHS Scheme

Original Grant	174000
Supplementary Grant	0
Re-appropriation	1000
Total	175000
Actual Expenditure	203387
Excess	28387

Excess was due to hike in prices of medicines.

(xxxv) Sub-head 3201-07-101-01 (₹ in thousands)
Superannuation & Retirement allowances

Original Grant	12370000
Supplementary Grant	130000
Re-appropriation	70000
Total	12570000

Actual Expenditure	15258222
Excess	2688222

Excess was due to increase in rate of claims/benefits and DA hike.

(xxxvi) Sub-head 3201-07-102 (₹ in thousands)
Commuted value of Pension

Original Grant	3500000
Supplementary Grant	1300000
Re-appropriation	-570000
Total	4230000
Actual Expenditure	4473282
Excess	243282

Excess was due to increase in rate of claims/benefits and DA hike.

(xxxvii) Sub-head 3201-07-104 (₹ in thousands)
Gratuities

Original Grant	3700000
Supplementary Grant	800000
Re-appropriation	-230000
Total	4270000
Actual Expenditure	4587004
Excess	317004

Excess was due to increase in rate of claims/benefits and DA hike.

(xxxviii) Sub-head 3201-07-108 (₹ in thousands)
Leave encashment benefits

Original Grant	1500000
Supplementary Grant	100000
Re-appropriation	90000
Total	1690000
Actual Expenditure	1821548
Excess	131548

Excess expenditure was due to increase in rate of claims.

(xxxix) Sub-head 3201-07-110 (₹ in thousands)
Govt. Contribution to Defined Pension Scheme

Original Grant	130000
Supplementary Grant	20000
Re-appropriation	90000
Total	240000

Actual Expenditure	343100
Excess	103100

Excess was due to increase in number of employees covered under the New Scheme.

(xl) Sub-head 3201-60-102-02 (₹ in thousands)
Interest on EDGIS

Original Grant	60000
Supplementary Grant	0
Re-appropriation	0
Total	60000
Actual Expenditure	90466
Excess	30466

Excess was due to more claim than expected amount.

Remedial Action

Instructions are issued to the circles/units to guard against such type of financial regularities and keep the expenditure within the allotment and project the demand for fund realistically.

This issues with the approval of Secretary (Posts) and has been vetted by Audit *vide* DGA P&T U.O. No. Rep-Civil/1(b)400/Appropriation Accounts/DoP/391 dated 10-2-2011.

Sd/-
(R. Magadevan)
Asstt. Director General
(BGT)

ANNEXURE VIII

सत्यमेव जयते

भारत सरकार Government of India

रेल मंत्रालय Ministry of Railways

(*रेलवे बोर्ड* Railway Board)

(व्याख्यात्मक नोट)

अनुदानों/विनियोगों के स्वीकृत/प्रभृत भाग के आधिक्य के विनियमन के लिए लोक लेखा समिति हेतु व्याख्यात्मक नोट

(EXPLANATORY NOTE)

Explanatory Note for Public Accounts Committee for Regularisation of Excess over Voted/Charged Portion of Grants/Appropriation

2009-2010

EXPLANATORY NOTE FOR PUBLIC ACCOUNTS COMMITTEE FOR REGULARISATION OF EXCESS OVER VOTED/CHARGED PORTION OF GRANTS/APPROPRIATION DURING THE YEAR 2009-10.

During the year 2009-10, there was an overall net saving of ₹ 8165.64 crore under all Grants and Appropriations, which constitutes, 4.71 percent of the total provision of ₹ 173367.82 crore.

The net saving was the result of gross saving of ₹ 10095.25 crore under 08 Voted Grants (*i.e.* 07 Revenue 1, 2, 3, 7, 10, 11, 14 and four segments of Works Grant No. 16 *i.e.* Capital, Railway Funds, OLWR and RSF) and 09 Charged Appropriations, three segments of works (*i.e.* 08 Revenue 4, 6, 7, 8, 9, 11, 12 & 13 and Appropriation No. 16 *i.e.* Railway Funds, OLWR and RSF) and gross excess of ₹ 1929.61 crore under 08 Voted Grants (4, 5, 6, 8, 9, 12, 13 & 15) and 04 Charged Appropriations (*i.e.* 03 Revenue - 3, 5 & 10 and one segment of Works Appropriation No. 16 *i.e.* Capital).

The gross excess of ₹ 1929.61 crore was made up of ₹ 1907.17 crore under Voted Grants and ₹ 22.44 crore under Charged Appropriations constituting 3.19 per cent of the total provision of ₹ 60447.43 crore under those Grants/Appropriations where excess occurred.

The gross saving amounting to ₹ 10095.25 crore was made up of ₹ 10083.14 crore under Voted Grants and ₹ 12.11 crore under Charged Appropriations constituting 8.94 per cent of the total provision of ₹112920.39 crore under the saving registering Grants/ Appropriations. (Reference Para. 26 to 29 - Excess/Saving over Voted Grants and Charged Appropriations of the Appropriation Accounts of Indian Railways for the year 2009-10 - Part - I Review).

All savings involving ₹ 100 crore and above under each Grant and all excesses grant-wise, are being explained in detail in the ensuing paras.

1.2 Excess under Charged Appropriation & Voted Grants

There is an excess under four Charged Appropriations (3, 5, 10 and 16-Cap) and eight Grants (4, 5, 6, 8, 9, 12, 13 and 15). However, taking into account the factor of misclassification of expenditure, the excess under Charged Appropriation No. 10 and 16 - Capital turned into saving. These Appropriations/Grants are explained as under:—

(a) Charged Appropriations

(i) Appropriation No. 3—Working Expenses-General Superintendence and Services.

	(In unit of ₹)
Original Appropriation	1,48,000
Supplementary Appropriation	9,10,000
Total Sanctioned Appropriation	10,58,000
Actual Expenditure	34,79,286
Excess	24,21,286
Misclassification	—
Excess requiring regularisation	24,21,286
Percentage of Excess	228.86%

Charged Appropriation of ₹ 1.48 lakh was obtained at the Budget Estimate Stage. A supplementary Charged Appropriation of ₹ 09.10 lakh was sanctioned for additional payments towards satisfaction of court decrees, which proved to be inadequate. The actual payments exceeded the provision by ₹ 24, 21,286 as more decretal payments materialised.

The excess requiring regularisation is ₹ 24,21,286 as disclosed in the Appropriation Accounts.

(ii) Appropriation No. 5—Working Expenses - Repairs & Maintenance of Motive Power.

(In unit of ₹)

Original Appropriation	–
Supplementary Appropriation	–
Total Sanctioned Appropriation	–
Actual Expenditure	1,74,024
Excess	1,74,024
Misclassification	–
Excess requiring regularisation	1,74,024
Percentage of Excess	£

Actual expenditure of ₹ 1,74,024 was incurred without sanctioned appropriation due to materialisation of decretal payments, which could not be anticipated earlier.

Thus, the excess requiring regularisation is ₹ 1,74,024 as disclosed in the Appropriation Accounts.

(b) Excess Charged Appropriations turned into Saving

There was an excess under the following Charged appropriations. But, taking into account the factor of misclassification of expenditure, the excesses turned into saving:—

(i) Appropriation No. 10— Operating Expenses - Fuel

(In unit of ₹)

Original Appropriation	—
Supplementary Appropriation	2,25,36,000
Total Sanctioned Appropriation	2,25,36,000
Actual Expenditure	21,07,00,000
Excess	18,81,64,000
Misclassification	(-) 21,07,00,000
Excess turned into Saving	(-) 2,25,36,000
Percentage of Saving	100%

A Supplementary Charged Appropriation ₹ 225.36 lakhs was sanctioned for payments towards satisfaction of court decrees, which were not being anticipated earlier. The Actual payments exceeded the provision by ₹ 1881.64 lakhs as more decretal payments materialised. There was a net effect of ₹ **(-) 21,07,00,000** on account of misclassification of expenditure relating to Grant No. 12 having wrongly been booked under this Appropriation.

Taking into account this effect of misclassification, the real excess turned into saving, which is not required to be explained.

(ii) Appropriation No. 16— Assets - Acquisition, Construction and Replacement - Capital.

	(In unit of ₹)
Original Appropriation	45,52,00,000
Supplementary Appropriation	15,50,00,000
Total Sanctioned Appropriation	61,02,00,000
Actual Expenditure	64,38,40,661
Excess	3,36,40,661
Misclassification	(-) 12,52,89,630
Excess turned into Saving	(-) 9,16, 48,969
Percentage of Saving	15.02%

Charged Apppropriation of ₹ 4552.00 lakhs was obtained at the Budget Estimate Stage. A Supplementary Charged Appropriation of ₹ 1550.00 lakhs was sanctioned for additional payments towards satisfaction of court decrees, which proved to be inadequate. The actual payments exceeded the provision by ₹ 336.41 lakhs as more decretal payments materialised. There was a net effect of ₹ (-) **12,52,89,630** on account of misclassification of expenditure relating to Grant No. 12 having wrongly been booked under this Appropriation.

Taking into account this effect of misclassification, the real excess turned into saving, which is not required to be explained.

(c) Voted Grants

(i) Grant No. 4 — Working Expenses — Repairs & Maintenance of Permanent - Way & Works.

	(In unit of ₹)
Original Grant	6908,95,44,000
Supplementary Grant	531,80,14,000
Total Sanctioned Grant	7440,75,58,000
Actual Expenditure	7496,25,82,359
Excess	55,50,24,359
Misclassification	(-) 1,00,42,724
Excess requiring regularisation	54,49,81,635
Percentage of Excess	0.73%

A Grant of ₹ 6908.95 crore was obtained at the Budget Estimate stage and a Supplementary Grant of ₹ 531.80 crore was obtained in March, 2010 for higher payment of salary, dearness allowance and other staff cost increased due to implementation of 6th Pay Commission. The actual expenditure of ₹ 7496.26 crore was ₹ 55.50 crore more than the total sanctioned provision of ₹ 7440.76 crore. There was a net effect of ₹ (-) **1,00,42,724** on account of misclassification of expenditure. The excess thus worked out to ₹ 54.50 crore.

The **excess** mainly occurred under the following Minor heads:—

(a) Establishment in Offices (100) (₹ 40-62 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of the recommendations of the 6th Central Pay Commission. **(b) Maintenance of Permanent Way (200) (₹ 95.52 crore),** mainly due to incurrence of more expenditure towards staff cost, materialisation of more contractual obligations and more direct purchases, than anticipated. **(c) Water Supply, Sanitation and Roads (Other than Colonies, Staff Quarters and Welfare Buildings) (500) (₹7.66 crore)**, mainly due to incurrence of more expenditure towards staff cost, more direct purchases and materialisation of more contractual payments, than anticipated. **(d) Other Repairs and Maintenance (600) (₹ 7.92 crore)** mainly due to more expenditure towards plantation of trees, nursery, more contractual payments and incurrence of more miscellaneous expenses, than anticipated.

The **excess** was partly offset by savings under the following **Minor heads:—**

(a) Maintenance of Bridge Work and Tunnels including Road Over/Under Bridges (300) (₹ 15.92 crore), mainly due to less expenditure towards staff cost, less drawal of stores from stock and materialisation of less contractual payments, than anticipated **(b) Maintenance of Service Buildings (Other than Staff Quarters and Welfare Buildings) (400) (₹ 23.92 crore),** mainly due to less expenditure towards staff cost, less drawal of stores from stock and materialisation of less contractual payments, than anticipated **(c) Special Repairs pertaining to Breaches, Accidents etc. including Special Revenue Works (700) (₹ 56.38 crore),** due to less drawal of stores from stock, less direct purchases and materialisation of less contractual payments, than anticipated.

The excess therefore, requiring regularisation from Parliament works out to ₹ 54,49,81,635 (i.e. 0.73% of the total sanctioned provision).

(ii) Grant No. 5 — Working Expenses — Repairs & Maintenance of Motive Powers

	(In unit of ₹)
Original Grant	3306,66,63,000
Supplementary Grant	81,65,78,000
Total Sanctioned Grant	3388,32,41,000
Actual Expenditure	3479,19,71,288
Excess	90,87,30,288
Misclassification	(-) 2,16,02,446
Excess requiring regularisation	88,71,27,842
Percentage of Excess	2.62%

A Grant of ₹ 3306.67 crore was obtained at the Budget Estimate stage and a Supplementary Grant of ₹ 81.66 crore was obtained in March, 2010 for higher payment of salary, dearness allowance and other staff cost increased due to implementation of 6th Pay Commission. The actual expenditure of ₹ 3479.20 crore was ₹ 90.87 crore more than the total sanctioned provision of ₹ 3388.32 crore. There was a net effect of ₹ **(-) 2,16,02,446** on account of misclassification of expenditure. The excess thus worked out to ₹ 88.71 crore.

The **excess** mainly occurred under the following Minor heads:—

(a) Establishment in Offices (100) (₹ 34.23 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of 6th Pay Commission. **(b) Diesel Locomotives (300) (₹ 50.79 crore),** mainly due to more expenditure towards staff cost, more drawal of stores from stock, more contractual payments and adjustment of more debits, than anticipated. **(c) Electric Locomotives (500) (₹ 32.37 crore),** mainly due to more drawal of stores from stock, more direct purchases, more adjustment of wages and materials on POH and also due to materialisation of more contractual payments, than anticipated.

The **excess** was partly offset by savings under the following Minor heads:**—**

(a) Steam Locomotives (200) (₹ 1.00 crore), mainly due to less drawal of stores from stock, less direct purchases and incurrence of less miscellaneous expenses, than anticipated. **(b) Rail Cars, Ferry Steamers and Other Maintenance Expenses (600) (₹ 25.52 crore),** mainly due to realisation of more credits, less direct purchases and adjustment of less debits, than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to ₹ 88,71,27,842 (*i.e.* 2.62% of the total sanctioned provision).

(iii) Grant No. 6— Working Expenses — Repairs and Maintenance of Carriages & Wagons.

	(Rupees)
Original Grant	7425,45,47,000
Supplementary Grant	267,03,28,000
Total Sanctioned Grant	7692,48,75,000
Actual Expenditure	7857,06,14,230
Excess	164,57,39,230
Misclassification	(-) 3,37,33,837
Excess requiring regularisation	161,20,05,393
Percentage of Excess	2.10%

A Grant of ₹ 7425.45 crore was obtained at the Budget Estimate stage and a Supplementary Grant of ₹ 267.03 crore was obtained in March, 2010 mainly to pay higher staff cost due to implementation of 6th Pay Commission. The actual expenditure of ₹ 7857.06 crore was ₹ 164.57 crore more than the total sanctioned provision of ₹ 7692.49 crore. There was a net effect of ₹ **(-) 3,37,33,837** on account of misclassification of expenditure. The excess thus worked out to ₹ 161.20 crore.

The **excess** mainly occurred under the following Minor heads**:—**

(a) Establishment in Offices (100) (₹ 38.56 crore), mainly due to incurrence of more expenditure towards staff cost due to implementation of 6th Pay Commission. **(b) Carriages (200) (₹ 61.93 crore),** mainly due to more drawal of stores from stock, more direct purchases, materialisation of more contractual payments, incurrence of more expenditure towards wages and material on POH activities and adjustments of more workshop debits, than anticipated. **(c) Wagons (300) (₹ 24.21 crore),** mainly towards increased staff cost on account of implementation of 6th Pay Commission, more drawal of stores from stock and adjustment of more workshop debits, than anticipated. **(d) Electric Multiple Unit Coaches (400) (₹ 24.88 crore),** mainly due to more adjustment on wages (POH) and material (POH) due to increase in POH activities, more drawal of stores from stock and more direct purchases, than anticipated. **(e) Electrical General Services—Trainlighting, Fans and Air-conditioning (500) (₹ 47.58 crore),** mainly towards staff cost due to implementation of 6th Pay Commission, more drawal of stores from stock, more direct purchases, adjustment of more debits and materialisation of more contractual obligations, than anticipated.

The **excess** was partly offset by savings under the following Minor heads:—

(a) Miscellaneous Repairs and Maintenance Expenses (600) (₹ 16.24 crore), mainly due to realisation of more credits, than anticipated. **(b) DMU Coaches (700) (₹ 16.35 crore),** mainly due to adjustment of less debits and materialisation of less contractual obligations, than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to ₹ 161,20,05,393 (*i.e.* **2.10% of the total sanctioned provision).**

(iv) Grant No. 8 — Operating Expenses — Rolling Stock & Equipment

	(Rupees)
Original Grant	5262,59,21,000
Supplementary Grant	684,69,19,000
Total Sanctioned Grant	5947,28,40,000
Actual Expenditure	5983,59,00,599
Excess	36,30,60,599
Misclassification	(-) 1,09,82,967
Excess requiring regularisation	35,20,77,632
Percentage of Excess	0.59%

A Grant of ₹ 5262.59 crore was obtained at the Budget Estimate stage and a Supplementary Grant of ₹ 684.69 crore was obtained in March, 2010 mainly for higher payment of salary, dearness allowance and other staff cost due to implementation of the 6th pay Commission. The actual expenditure of ₹ 5983.59 crore was ₹ 36.31 crore more than the total sanctioned provision of ₹ 5947.28 crore. There was a net effect of ₹ (-) **1,09,82,967** on account of misclassification of expenditure. The excess thus worked out to ₹ **35.21** crore.

The **excess** mainly occurred under the following Minor heads:—

(a) Diesel Locomotives (200) (₹79.52 crore), mainly due to more expenditure towards staff cost on account of implementation of 6th Pay Commission's recommendations. **(b) Electric Locomotives (300) (₹ 47.00 crore)**, mainly due to more expenditure towards staff cost on account of implementation of 6th Pay Commission's recommendations. **(c) Electric Multiple Unit Coaches (400) (₹ 2.25 crore),** mainly due to more expenditure towards staff cost on account of implementation of 6th Pay Commission's recommendations. **(d) Ferry Services and Rail Cars (800) (₹ 0.02 crore),** Minor variation.

The **excess** was partly offset by **savings** under the following **Minor heads:—**

(a) Steam Locomotives (100) (₹ 0.31 crore), mainly due to less expenditure towards staff cost excluding shed staff engaged on fuelling of engines.

(b) Carriages and Wagons (500) (₹ 20.80 crore), mainly due to less drawal of stores from stock, less direct purchases and materialisation of less contractual payments, than anticipated.

(c) Traction (Other than Rolling Stock) and General Electrical Services (600) (₹ 67.22 crore), mainly due to adjustment of less debits and more credits, less consumption of electric energy and less materialisation of contractual obligations, than anticipated. **(d) Signalling and Telecommunication (700) (₹ 4.15 crore),** mainly due to incurrence of less expenditure towards salary and wages under signalling and less adjustment of stores debits, than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to ₹ 35,20,77,632 (*i.e* 0.59% of the total sanctioned provision).

(v) Grant No. 9— Working Expenses—Operating Expenses—Traffic.

	(Rupees)
Original Grant	11181,65,72,000
Supplementary Grant	638,24,89,000
Total Sanctioned Grant	11819,90,61,000
Actual Expenditure	11843,33,75,471
Excess	23,43,14,471
Misclassification	2,87,69,130
Excess requiring regularisation	26,30,83,601
Percentage of Excess	0.22%

A Grant of ₹ 11181.66 crore was obtained at the Budget Estimate stage and a Supplementary Grant of ₹ 638.25 crore was obtained in March, 2010 mainly for higher payment of salary, dearness allowance and other staff cost due to implementation of the 6th Pay Commission. The actual expenditure of ₹ 11843.34 crore was ₹ 23.43 crore more than the total sanctioned provision of ₹ 11819.91 crore. There was a net effect of **₹ 2,87,69,130** on account of misclassification of expenditure. The excess thus worked out to ₹ 26.31 crore.

This **excess** occurred mainly under the following Minor heads:—

(a) Station Operations (200) (₹ 307.22 crore), mainly due to more expenditure towards staff cost on account of implementation of 6th Pay Commission and more contractual obligations for handling collection and delivery of goods due to increase in activities. **(b) Trains Operations (500) (₹ 294.86 crore)**, mainly due to more expenditure towards staff cost on account of implementation of 6th Pay Commission and incurrence of more other miscellaneous expenses, than anticipated.

The **excess** was **partly** offset by saving under the following Minor heads:**—**

(a) Establishment in Offices(100) (₹ 21.00 crore), mainly due to less expenditure towards staff cost, than anticipated. **(b) Yard Operations (300) (₹ 10.47 crore),** mainly due to incurrence of less expenditure towards staff cost and other expenses, than anticipated. **(c) Transhipment and Repacking Operation (400) (₹ 0.22 crore),** mainly under staff cost and establishment charges, than anticipated. **(d) Safety (600) (₹ 7.76 crore)** mainly due to less expenditure towards publicity training courses and miscellaneous expenses, than anticipated. **(e) Other Miscellaneous Expenses (700) (₹ 539.20 crore),** mainly due to adjustment of less debits and more credits on account of Indian Railway Financial adjustments relating of Rolling Stock and hire and penalty charges on inter-changed stock and less adjustment for payment of leasing charges other than IRFC etc., than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to ₹ 26,30,83,601 (*i.e.* 0.20% of the total sanctioned provision).

(vi) Grant No. 12— Miscellaneous Working Expenses:—

	(Rupees)
Original Grant	3157,64,158,000
Supplementary Grant	-
Total Sanctioned Grant	3157,64,58,000
Actual Expenditure	3177,23,12,173
Excess	19,58,54,173
Misclassification	20,28,81,145
Excess requiring regularisation	39,87,35,318
Percentage of Excess	1.26%

A Grant of ₹ 3157.65 crore was obtained at the Budget Estimate stage. The actual expenditure of ₹ 3177.23 crore was ₹ 19.59 crore more than the total sanctioned provision of ₹ 3157.65 crore. There was a net effect of ₹ 20,28,81,145 on account of misclassification of expenditure. The excess thus worked out to ₹ 39.87 crore.

This **excess** occurred mainly under the following Minor heads:—

(a) Compensation Claims (200) (₹ 21.46 crore), mainly due to adjustment of more compensation debits and also materialisation of more number of compensation claims during the year, than anticipated. **(b) Workmen's and Other Compensation Claims (300) (₹ 11.33 crore),** mainly due to more workmen's compensation claims settled and more payment towards compensation claims and *ex-gratia* during the year, than anticipated. **(c) Catering (400) (₹ 47.62 crore),** mainly due to more expenditure towards contractual payments to private caterers and clearance of outstanding bills of IRCTC, than anticipated. **(d) Suspense (800) (₹ 37.07 crore),** mainly due to clearance of heavy outstanding liabilities and more materialisation of claims and adjustment of debits under MAR (others), than anticipated.

The **excess** was partly offset by savings under the following Minor heads:—

(a) Security (100) (₹ 43.13 crore), mainly due to materialisation of less payment on account of GRP dues due to non/less receipt of bills, than anticipated. **(b) Cost of Training of Staff (500) (₹ 25.24 crore),** mainly due to less expenditure on account of less recruitment of RPF constables and decrease in training activities during the year, than anticipated. **(c) Other expenses (600) (₹ 28.90 crore),** mainly due to incurrence of less expenditure on civil defence, less adjustment of debits pertaining to territorial army, less procurement of stores and less expenditure towards cash awards due to austerity measures, than anticipated. **(d) Hospitality and Entertainment Expenses (700)**

(**₹ 0.62 crore),** mainly due to incurrence of less expenditure towards hospitality and entertainment during the year, than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to ₹ 39,87,35,318 (*i.e.* **1.26% of the total sanctioned provision).**

(vii) Grant No. 13—Working Expenses—Provident Fund, Pension & Other Retirement benefits.

	(Rupees)
Original Grant	14265,29,41,000
Supplementary Grant	1133,52,32,000
Total Sanctioned Grant	15398,81,73,000
Actual Expenditure	16911,20,69,979
Excess	1512,38,96,979
Misclassification	(-) 12,46,284
Excess requiring regularisation	1512,26,50,695
Percentage of Excess	9.82%

A Grant of ₹ 14265.29 crore was obtained at the Budget Estimate Stage and a Supplementary Grant of ₹ 1133.52 crore was obtained in March, 2010 mainly for meeting the increased pensionery charges arisen due to implementation of 6th Pay Commission. The actual expenditure of ₹ 16911.21 crore was ₹ 1512.39 crore more than the sanctioned provision of ₹ 15398.82 crore. There was a net effect of **₹ (-)12,46,284** on account of misclassification of expenditure. The excess thus worked out to ₹ 1512.27 crore, which is 9.82% of the total sanctioned provision.

Excess occurred mainly under the following Minor heads:—

(a) Superannuation and Retiring Pension (100) (₹ 1435.09 crore), due to receipt of more debits from various pension disbursing authorities because of disbursement of arrears on account of implementation of 6th Pay Commission. **(b) Commuted Pension (200) (₹ 166.76 crore)** due to finalisation of more voluntary retirement cases and arrears payment on account of implementation of 6th Pay Commission. **(c) Death-cum-Retirement Gratuity (500) (₹ 188.21 crore),** due to finalisation of more number of Death-cum-Retirement Gratuity cases and disbursement of arrears as per implementation of 6th Pay Commission, than anticipated. (**d) Other Allowances, Other Pensions and Other Expenses (600) (₹ 6.04 crore),** due to more expenditure towards invalid pension and finalisation of more number of service gratuity cases as per implementation of 6th Pay Commission, than anticipated. **(e) Gratuities Special Contribution to Provident Fund and contribution to Provident Fund (800) (₹ 34.59 crore),** due to more expenditure towards gratuities/special contribution to Provident Fund and more Government contribution for newly defined contribution pension scheme, than anticipated.

This **excess** was partly offset by savings under the following Minor heads:—

(a) *Ex-gratia* Pension (300) (₹ 182.92 crore), due to incurrence of less expenditure towards *ex-gratia* pension during the year. **(b) Family Pension (400) (₹ 133.17 crore),** due to receipt of less debits towards family pension from various pension disbursing authorities due to non-revision of family pension cases on account of implementation of 6th Pay Commission **(c) Leave Encashment Benefit (700) (₹ 2.21 crore),** due to less expenditure towards leave encashment for pension optees, than anticipated.

The excess, therefore, requiring regularisation from Parliament works out to ₹ 1512,26,50,695 (*i.e.* **9.82% of the total sanction provision).**

(viii) Grant No. 15—Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortisation of Over-Capitalisation:—

	Rupees
Original Grant	5479,22,00,000
Supplementary Grant	59,61,00,000
Total Sanctioned Grant	5538,83,00,000
Actual Expenditure	5543,34,03,762
Excess	4,51,03,762
Misclassification	—
Excess requiring regularisation	4,51,03,762
Percentage of Excess	0.08%

A Grant of ₹ 5479.22 crore was obtained at the Budget Estimate stage and a Supplementary Grant of ₹ 59.61 crore was obtained in March, 2010 for making higher payment of dividend to general revenues due to increase in the dividend bearing capital-at-charge. However, this supplementary grant proved to be inadequate and the actual expenditure exceeded the sanctioned provison by ₹ 4.51 crore due to higher booking in Capital.

The excess, therefore, requiring regularisation from Parliament works out to ₹ 4,51,03,762 (*i.e.* **0.08% of the total sanctioned provision).**

2. The Grant-wise excesses are relatively small, considering the total volume of transactions spread over the entire Railway System. However, every care has been taken (a) to assess the expenditure under various Appropriation/Grants as precisely as possible and (b) to obtain supplementary allotments where necessary so that excess is avoided to the maximum extent possible.

3. The excess over the Appropriation/Grant as brought out in Para 1.2(a) and (c) may kindly be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution of India.

4. This has been seen by the Audit.

Sd/-
(S. Chandrasekaran)
Addl. Member (Finance)
Railway Board.

The Chairman & Members of the
Public Accounts Committee,
New Delhi.

APPENDIX I

MINUTES OF THE SIXTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12) HELD ON 23RD SEPTEMBER 2011

The Public Accounts Committee sat on Friday, the 23rd September, 2011 from 1130 hrs. to 1330 hrs. in Room No. '53', Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi—*Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Anant Kumar Hegde
4. Shri Bhartruhari Mahtab
5. Shri Shripad Yesso Naik
6. Shri Sanjay Nirupam
7. Shri Jagdambika Pal
8. Shri Adhi Sankar
9. Kunwar Rewati Raman Singh
10. Shri K. Sudhakaran
11. Dr. Girija Vyas

Rajya Sabha

12. Shri Tariq Anwar
13. Shri Prasanta Chatterjee
14. Shri Naresh Gujral
15. Shri Prakash Javadekar
16. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh	—	*Joint Secretary*
2. Shri Abhijit Kumar	—	*Director*
3. Shri M.K. Madhusudhan	—	*Additional Director*
4. Shri Sanjeev Sharma	—	*Deputy Secretary*
5. Shri D.R. Mohanty	—	*Deputy Secretary*
6. Smt. A. Jyothirmayi	—	*Deputy Secretary*

Representatives of the office of the Comptroller and Auditor General of India

1.	Shri K.P. Sasidharan	—	Director General (AB)
2.	Ms. Subha Kumar	—	Director General (Report Central)
3.	Shri A.M. Bajaj	—	Principal Director (ESM)
4.	Shri C.M. Sane	—	Principal Director (AFN)
5.	Ms. Divya Malhotra	—	Principal Director (Railway Audit Board)

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the C&AG to the sitting of the Committee. He then apprised the Members that in the forenoon sitting, the Committee were to consider and adopt eight Draft Reports whereas in the post-lunch session, the Committee were to take evidence of the representatives of the Ministry of Agriculture only, as the Secretary of the other Ministry *i.e.* Human Resource Development who was to appear before the Committee had sought and was granted leave of absence.

*   *   *   *   *

3. *   *   *   *   *

4. The Committee, thereafter, took up the following Draft Reports, one by one, for consideration and adoption:

(i) Draft Report on '**Excesses Over Voted Grants and Charged Appropriations (2009-10)';**

(ii) *   *   *   *   *

(iii) *   *   *   *   *

(iv) *   *   *   *   *

(v) *   *   *   *   *

(vi) *   *   *   *   *

(vii) *   *   *   *   *

(viii) *   *   *   *   *

5. After some discussions, the Committee adopted all but one Draft Report mentioned at Sl. No. (vii) above, with some modification/suggestions.

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6. *   *   *   *   *

7. The Committee authorized the Chairman to finalise the adopted Draft Reports in light of the factual verifications, if any, made by the Audit and present them to the House on a date convenient to him.

The Committee, then, adjourned.

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* Matter not related to this Report.

APPENDIX II

STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS

Sl. No.	Para No. (Part II)	Ministry/Department	Observations/Recommendations
1	2	3	4
1.	1	Communications and Information Technology (Department of Telecommunications)/ Defence/Home Affairs/ Communications and Information Technology Appropriations. (Department of Posts/ Railways)	The Committee's examination of the Appropriation Account of the Union Government relating to the Civil, Defence Services, Postal Services and Railways for the financial year 2009-2010 has revealed that a total excess expenditure of Rs. 14581.86 crore was incurred in 20 cases under 18 Grants/ The defaulting Ministries are Ministry of Communications and Information Technology (2 Grants *i.e.* Grant No. 14—Department of Telecommunications and Grant No. 13-Postal Services); Ministry of Defence (5 cases under 4 Grants *i.e.* Grant No. 20—Ministry of Defence, Grant No. 21—Defence Pensions, Grant No. 22—Defence Services—Army, and Grant No. 23—Defence Services—Navy); Ministry of Home Affairs (Grant No. 54—Other Expenditure of the Ministry of Home Affairs); and the Ministry of Railways (12 cases under 11 Grants/Appropriations *i.e.* Grant No. 4—Repairs and Maintenance of Permanent Way and Works; Grant No. 5—Repairs and Maintenance of Motive Powers; Grant No. 6—Repairs and Maintenance of Carriages and Wagons; Grant No. 8—Operating Expenses—Rolling Stock and Equipment; Grant No. 9—Operating Expenses—Traffic; Grant No. 12—Miscellaneous Working Expenses; Grant No. 13—Provident Fund, Pension and other Retirement Benefits; Grant No. 15—Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over Capitalisation; Appropriation No. 3—General Superintendence and Services; Appropriation No. 5—Repairs and Maintenance of Motive Powers, Appropriation No. 10—Operating Expenses—Fuel; and

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			Appropriation No. 16—Assets, Acquisition, Construction and Replacement). This amount of excess expenditure incurred during the financial year under review showed a steep increase over the preceding year wherein a total excess expenditure of about Rs. 1532.63 crore in 15 cases of 14 Grants/Appropriations was recorded. Though the Committee are aware of the difficulties faced by the Ministeries/ Departments in exactly estimating the expenditure due to situational exigencies, nevertheless incurring huge amount of excess expenditure to the tune of thousands of crore year after year despite the provision for obtaining Supplementary Demands for Grants in the course of a financial year is untenable and cannot be attributed to unforeseen factors or the extraordinary situations alone. The Committee deprecate such an endemic failure arising out of want of essential alacrity in budgetary estimations, sheer dereliction of duty on the part of budget controlling authorities and failure on their part to ensure observance of strict fiscal discipline.
2.	2	Finance/ Communications and Information Technology (Department of Telecommunications)/ Defence/Home Affairs/ Communications and Information Technology (Department of Posts)/Railways	The Committee find that out of the total excess expenditure of Rs. 14581.86 crore in curred during the 2009-10 fiscal year, the bulk of the excess was registered by the Civil Sector with 63.22 percent *i.e.* Rs. 9218.89 crore under 4 Grants. The remaining sectors—Defence Services, Postal Services and Railways accounted for 17.93 percent (Rs. 2615.23 crore under 2 Grants), 5.61 percent (Rs. 818.13 crore under a single Grants and 13.23 percent (Rs. 1929.61 crore under 8 Grants and 4 Charged Appropriations)respectively.The Committee's scrutiny has revealed that there was misclassification of expenditure in 9 Grants/Appropriations operated by the Ministry of Railways. Out of these, Appropriation No. 10—Operating Expenses—Fuel and Appropriation No. 16—Assets, Acquisition, Construction and Replacement—Capital turned into savings due to the

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			misclassification. The other cases of misclassification of expenditure were Rs. (-) 1,00,42,724 under Grant No. 4—Repairs and Maintenance of Permanent Way and Works; Rs. (-) 2,16,02,446 under Grant No. 5—Repairs and Maintenance of Motive Powers; Rs. (-) 3,37,33,837 under Grant No. 6—Repairs and Maintenance of Carriages and Wagons; Rs. (-) 1,09,82,967 under Grant No. 8—Operating Expenses—Rolling Stock and Equipment; Rs. (+) 2,87,69,130 under Grant No. 9—Operating Expenses—Traffic; Rs. (+) 20,28,81,145 under Grant No. 12—Miscellaneous Working Expenses; and Rs. (-) 12,46,284 under Grant No. 13—Provident Fund, Pension and other Retirement Benefits. Taking into account the effect of these 7 cases of misclassification, the actual excess relating to the Ministry of Railways comes to Rs. 1922,83,61,188 instead of Rs. 1929,61,23,832 as indicated in Indian Railways Appropriation Accounts (2009-10). Accordingly, the total amount of actual excess expenditure incurred during the financial year 2009-10 which has to be regularized by Parliament under Article 115(1)(b) of the Constitution is of the order of Rs. 14575.08 crore.
3.	3	Finance/ Communications and Information Technology (Department of Telecommunication)/ Defence/Home Affairs/ Communications and Information Technology (Department of Posts)/Railways	Scrutiny of the cases of excess registering Grants and Appropriations for the financial year 2009-10 indicates huge variations in the quantum of excess expenditure incurred under 18 Grants/Appropriations with the bulk of the excess in the Grants relating to Defence Services. In the Civil Sector as much as 97.62 per cent of the total excess expenditure was incurred under Grant No. 21 (Revenue Voted)—Defence Pensions alone while Grant No. 14—Department of Telecommunications, Grant No. 20— Ministry of Defence and Grant No. 54—Other Expenditure of the Ministry of Home Affairs registered 0.95 per cent, 1.03 percent and 0.39 percent respectively. In the Defence Sector, Grant No. 22 (Revenue Voted)—Defence Services— Army Accounted for 94.22

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			percent whereas Grant No. 23 (Revenue Voted) — Defence Services — Navy and Grant No. 22 (Revenue Charged) Defence Services — Army recorded 5.76 per cent and 0.02 percent respectively. As regards the Railways, about 94.50 percent of the total excess expenditure was incurred under 4 Grants only *i.e.* (i) Grant No. 4 — Repairs and Maintenance of Permanent Way and Works; (ii) Grant No. 5— Repairs and Maintenance of Motive Powers; (iii) Grant No. 6— Repairs and Maintenance of Carriages and Wagons; and (iv) Grant No. 13 — Provident Fund Pension and Other Retirement Benefits. The Committee wish to caution that expenditure over and above the budgetary provisions sanctioned by the Parliament at different stages of the budget does not augur well for fiscal prudence and fiscal consolidation besides undermining the Parliamentary financial control. The unabated large excess expenditure by these defaulter Ministries/Departments is axiomatic of the fact that they have not taken any tangible corrective measures. Deplorably, such a trend also indicates that Ministries/Departments have not accorded due importance to the guiding principles of budgeting *i.e.* plugging of the existing loopholes and deficiencies with a view to restricting the quantum of excess expenditure to the barest minimum so as to ensure judicious and equitable distribution of scarce financial resources for achieving all round growth of different sectors. The Committee urge upon the defaulting Ministries/Departments to find innovative steps for ushering in a system of budgeting whereby the exercise is not only made more accurate, logical and practicable but also able to eliminate all budgetary and financial irregularities. Taking note of the persisting trend of excess expenditure and considering the fact that the problem is not intractable with effective application of IT and e-governance, the Committee recommend that the Ministry

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			of Finance make it incumbent upon the Financial Advisers and the Budget Controlling authorities to ensure that no excess expenditure takes place in future. The Committee would like to be apprised of the instructions issued by them in this behalf.
4.	4	Finance/Defence/ Communications and Information Technology (Department of Posts) Railways	An analysis of the Appropriation Accounts and Explanatory Notes furnished by the defaulting Ministries/Departments shows that in 5 cases the percent age of excess expenditure over the Total Grant was exceedingly high. These are 34.61 percent in respect of Grant No. 21 —Defence Pensions, 6.53 percent in respect of Grant No. 13—Postal Services; 9.82 percent in Grant No. 13 (Railways)—Provident Fund, Pension and Other Retirement Benefits; 228.86 percent in Appropriation No. 3—General Superintendence and Services; and the total amount in Appropriation No. 5—Repairs and Maintenance of Motive powers. Obviously, such a huge excess expenditure shows beyond any manner of doubt that the entire budgetary process has gone awry in these defaulter Ministries/Departments and there was abysmal failure on the part of the budget controlling authorities and Financial Advisers in budget formulation, monitoring and in submission of revised estimates in time. The Committee therefore recommend that the Ministry of Finance cull out and prepare the list of budget controlling authorities and Financial Advisers of the defaulting Ministries/Departments and furnish the same to the Committee.
5.	5	Communications and Information Technology (Department of Telecommunication)/ Defence/Home Affairs/ Communications and Information Technology (Department of Posts)/Railways	The Committee note with profound concern that outof the total 18 cases of excess registering Grants/Appropriations, an excess expenditure of Rs. 12071.08 crore was incurred in as many as 15 cases even after obtaining Supplementary Grants/Appropriations to the extent of Rs. 10628.59 crore. The percentage of excess expenditure over the Supplementary Grants in respect of these 15 grants/ Appropriations ranged from 4.12 percent (Grant No. 9 (Railways)—Operating

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			Expenses—Traffic) to 456.67 percent (Grant No. 54—Other Expenditure of the Ministry of Home Affairs) and in 8 cases this percentage was more than 50 percent. To give the sector wise details, Supplementary Grants to the tune of Rs. 5760.22 crore, Rs. 1035.11 crore, Rs. 436.60 crore and Rs. 3396.66 crore pertaining to the Civil, Defence, Postal and Railway Sectors respectively fell short of the actual expenditure by Rs. 9218.89 crore, Rs. 151.11 crore, Rs. 818.13 crore and Rs. 1882.95 crore in that order. In respect of six Grants and Appropriations the quantum of excess expenditure incurred has been even higher than the Supplementary Grants sought. The Committee deplore the tendency of the defaulting Ministries/Departments in resorting to excess expenditure despite obtaining huge sums of Supplementary Grants in a routine manner. What is more perplexing is that these Ministries/Department could not realistically project their requirement of funds even after three stages of obtaining Supplementary Grants the latest being February—March 2010 *i.e.* the fag end of the financial year. This is a clear indication of not only of bad budgeting but also of deeply pervading malaise in the extant budgeting method/mechanism, which has failed to ensure proper assessment and accurate projection of the fund requirement despite ample opportunities for seeking parliamentary approval. It also exposes the hollow claim of the Ministries/Departments that they monitor the flow of the excess expenditure. The Committee, therefore, recommend that the Ministries/Departments concerned probe into the causes of this chronic malaise and find effective ways and means to make the mechanism of estimating Supplementary Grants more realistic and the budget controlling officers responsible so that no excess expenditure is incurred and strict fiscal discipline is maintained.

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6.	6	Defence/Railways	The Committee are constrained to observe that the Ministry of Railways had been persistently incurring huge excess expenditure during the financial years 2000-01 to 2009-10 while the Ministry of Defence had been spending much above the authorized expenditure during each of the financial years 2000-01 and 2003-04 to 2009-10. To elucidate, the Ministry of Railways incurred excess expenditure of—Rs. 0.14 crore in 5 Grants/Appropriations in 2000-01, Rs. 210.71 crore in 8 Grants/Appropriations in 2001-02, Rs. 323.65 crore in 11 Grants/ Appropriations in 2002-03, Rs. 1136.92 crore in 9 Grants/Appropriations in 2003-04; Rs. 2151.99 crore in 10 Grants/Appropriations in 2004-05; Rs. 2322.46 crore in 11 Grants/ Appropriations in 2005-06; Rs. 365.16 crore in 8 Grants/Appropriations in 2006-07, Rs. 51.22 crore in 8 Grants/Appropriations in 2007-08, Rs. 532.12 crore in 8 Grants/Appropriations in 2008-09 and Rs. 1922.84 crore in 9 Grants/Appropriations in 2009-10. The Committee also find that the Ministry of Defence incurred an excess expenditure of Rs. 229.70 crore in a single Grant in 2000-01, Rs. 37.50 crore in a single Grant in 2003-04, Rs. 41.99 crore in two Grants in 2004-05, Rs. 44.84 crore in two Grants in 2005-06, Rs. 667.17 crore in a Single Grant in 2006-07, Rs. 71.19 crore in a single Grant in 2007-08, Rs. 742.61 crore in two Grants in 2008-09 and Rs. 2615.23 crore in two Grants in 2009-10. This recurring phenomenon of wide variations between the budgetary provisions and the actual expenditure by these important Ministries over such long periods has led the Committee to arrive at the conclusion that the estimation of requirement of funds is still done in a haphazardly manner devoid of sound budgetary presumptions. Needless to say the existing budgeting mechanism in these Ministries still suffers from various loopholes and lacunae which are nullifying the attempts of the Government to enhance accuracy level of their budgetary projections to achieve the

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			desired improvements. The persistence of such a pernicious trend is bound to further deteriorate the fiscal discipline leading to financial ad-hocism, and maladministration. The Committee, therefore, impress upon the Ministries of Railways and Defence to overhaul their budgetary mechanism drastically, introduce IT and e-governance in their financial administration and fix responsibility against the budget controlling authorities in case their estimation go away leading to excess expenditure.
7.	7	Railways	The Committee find that the Appropriation Accounts relating to Civil, Defence Services and Postal Services for the financial year 2009-10 were laid in Parliament on 18.03.2011. However, the Appropriation Accounts-Railways (2009-10) was laid in the Parliament only on 05.08.2011 after a delay of 4 months and 18 days. It may be pointed out that in the preceding years also the Appropriation Accounts—Railways (2007-08) and the Appropriation Accounts—Railways (2006-07) were presented to Parliament after a delay of more than 5 months and 10 months respectively which resulted in delay in the finalization of the Public Accounts Committee's Seventh Report (15th Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (2007-08)" and Eightieth Report (14th Lok Sabha) on "Excesses Over Voted Grants and Charged Appropriations (2006-07)". This in turn had delayed the regularization of excess expenditure incurred during those financial years. In paragraph 57 of the Eightieth Report (14th Lok Sabha), the Committee had urged upon the Ministry of Railways and the Ministry of Finance to take necessary remedial measures to ensure timely presentation of the Appropriation Accounts especially the Appropriation Accounts—Railways. Further, in paragraph 52 of the Seventh Report (15th Lok Sabha), the Committee had recommended the Ministry of Railways to take urgent necessary and

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			corrective action to timely present the Appropriation Accounts—Railways to Parliament so that all instances of excess expenditure are gone into by the Committee expeditiously before regularization. The Committee deplore the repeated failures on the part of the Railways to lay their Appropriation Accounts in time. Taking a serious view of the callous attitude on the part of the Ministry of Railways, the Committee only wish to exhort the Ministry of Railways and Financial Commissioner, Railways to put their financial administration in order or be prepared for their oral examination if they fail to stem the rot.
8.	8	Finance/ Home Affairs/Defence/ Communications and Information Technology (Department of Posts)	The Committee observe that the Explanatory Notes pertaining to the excess registering Grants/Appropriations as highlighted in the Appropriation Accounts (Civil), the Appropriation Accounts (Defence Services) and the Appropriation Accounts (Postal Services) for the financial year 2009-10 were due for submission to the Committee on or before 18th March, 2011. However, the Ministries of Home Affairs, Defence and Communications and Information Technology (Department of Posts) furnished their Explanatory Notes after a delay of 2 months 16 days, 2 months 20 days and 20 days respectively. The Committee would like to impress upon all the Ministries that delay in submission of Explanatory Notes by them impedes the Committee's examination of excess expenditure, a direct consequence of which is delay in the regularization of the unauthorized expenditure by the Parliament. The Committee note that submission of the Explanatory Notes for excess expenditure should not be delayed as they have ample time to prepare and submit them to Parliament and in fact, some of the Ministries submitted them well before the stipulated time. The Committee would, also like the Ministry of Finance to put in place a centralized monitoring network to ensure preparation and submission of Explanatory

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			Notes by the defaulter Ministries/Departments within the prescribed time frame. The Committee further recommend that in future the contributory reasons for delay in submission of Explanatory Notes should invariably be appended in the relevant Explanatory Notes for their scrutiny.
9.	9	Defence	The Committee find that the Ministry of Defence incurred an excess expenditure of Rs. 8999.54 crore under Revenue Section (Voted) of Grant No. 21—Defence pensions which alone accounted for 97.62 per cent of the total excess expenditure incurred in the Civil Sector. The Explanatory Note furnished by the Ministry of Defence *inter-alia* states that the excess was mainly due to payment of revised pension at higher rates under the 6th Central Pay Commission Report than assessed, booking of pending pension scrolls received from banks etc. The Committee's examination has revealed that this Grant had also registered an excess expenditure of Rs. 13.33 lakh during the previous financial year 2008-09. As a mark of remedial action taken in this regard, the Ministry of Defence stated in their Explanatory Note that necessary instructions have been issued to all concerned to prepare their Budgetary proposals on realistic basis. The Committee feel that this alone will not yield the desired results as an analysis of the causes of the excess expenditure on account of pension payments suggests that there is lack of comprehensive networking and coordination amongst pension account related offices across the country and the prevailing pension data management and accounting information systems are not in order. This clearly shows that the Ministry of Defence have not taken any concrete measures to revamp the system so that the pension liability can be correctly forecast and factored into the budgetary estimations. Consequently, when the recommendations of the 6th Central Pay

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			Commission were implemented, the flow of funds was thrown out of gear resulting in huge excess expenditure. The Committee desire that the Ministry of Defence should look into all aspects for taking necessary corrective action so that the existing deficiencies and shortcomings in the pension payment are rectified and recurrence of excess expenditure is either avoided or greatly minimized in future. The Ministry should also adopt e-governance model and utilize the information technology services/tools so as to establish a centralized data base of pensioners and networking of all the banks so as to arrive at a correct estimation of pension liability and expenditure in a particular year.
10.	10	Defence	The Committee note with concern that huge quantum of excess expenditure to the tune of Rs. 2464.11 crore and Rs. 150.51 crore had been incurred both under Revenue Section (Voted) of Grant No. 22—Defence Services—Army and Grant No. 23—Defence Services—Navy respectively during the financial year under review. Surprisingly, the excess expenditure under Grant No. 23 was incurred despite obtaining a Supplementary Grant of Rs. 1033.32 crore. In respect of Grant No. 22, the contributory reasons, according to the Ministry of Defence, were difference in the actual strength of Officers/Personnel Below Officer's Rank and the strength figure provided by Management Information System Organisation, reinstatement of the personnel due to court judgement, increased expenditure due to enhancement of Dearness Allowance and embodiment of Territorial Army for PM's Territorial Army Day Parade, revision of travel entitlement due to implementation of the 6th Central Pay Commission Report and erroneous excess booking by Controller General of Defence Accounts, payment of arrears of pay and allowances etc. As regards, the Grant No. 23, the main contributory reasons adduced were enrolment of new officers, revision of

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			travel entitlement due to implementation of the 6th Central Pay Commission Report, increased expenditure due to enhancement of Dearness Allowance, payment of the 6th Central Pay Commission arrears, operational necessity of hiring boats for coastal security, booking of coast guard and BSF fuel bills and additional payment for pilots training in USA due to freshly concluded agreement not allocated in projections. The Committee do not consider these reasons for incurring excess expenditure to be compelling as many of these could have been anticipated well in advance and factored into at the time of finalization of Grants through three stages of Supplementary Grants. Further, the quantum of unauthorized excess expenditure could have been greatly reduced with proper care and attention to detail, which is highly expected of a Ministry dealing with defence personnel whose spirit and character are supposed to be the epitome of professionalism and discipline. In this context, the Committee also find that the Ministry of Defence had incurred excess expenditure amounting to Rs. 95.32 crore and Rs. 8999.54 crore respectively under Grant No. 20—Ministry of Defence and Grant No. 21—Defence Pensions pertaining to the Civil Sector but operated by them. Another excess expenditure of Rs. 60.42 lakh was also registered under Revenue Section (Charged) of Grant No. 22. These altogether put the total excess expenditure by the Ministry of Defence during the 2009-10 fiscal year at Rs. 11,710.08 crore. This sudden spurt in the quantum of excess expenditure proves that the Ministry have no mechanism to check or minimize excess expenditure under the Grants operated by them. Surprisingly, as a remedial measure, the Ministry have merely re-circulated their old instructions for containing excess expenditure. The Committee feel that apart from routine re-circulation of old instructions which have proved ineffective in plugging the loopholes

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			and rectifying the deficiencies, it is imperative for the Ministry of Defence to undergo serious introspection and devise concrete ways and means in consultation with the Ministry of Finance to overhaul and steamline their budgeting mechanism so that excess expenditure is avoided altogether. The Committee would like to be apprised of the specific corrective measures taken by the Ministry in this direction.
11.	11	Communications and Information Technology (Department of Posts)	During the financial year under review, the Department of Posts incurred an excess expenditure of Rs. 818.13 crore under a single Grant operated by them *i.e.* Grant No. 13—Postal Services. This excess expenditure was despite obtaining Supplementary Grant to the tune of Rs. 436.60 crore. Scrutiny of the Explanatory Note furnished by the Department shows that the excess expenditure was mainly due to increase in the rate of claims and hike in Dearness Allowance following the implementation of the 6th Central Pay Commission Report, more induction training programmes to newly recruited staff etc. The Committee have been assured that instructions have been issued to the circles/units to keep the expenditure within the allotment and project the demand for fund realistically. The Committee are, however, skeptical of the efficacy of the instructions issued by the Department in checking excess expenditure without devising any concrete mechanism. The Committee urge upon the Department to overhaul their prevailing expenditure review mechanism whereby a system is evolved and enforced to provide sufficient checks and balances against any possible wanton sanction and utilization of funds under this Grant and the requisite transparency and accountability is maintained. The Committee, therefore, desire that precise action should be taken in this regard at the earliest.
12.	12	Railways	The Committee's examination of the Union Government Appropriation Accounts

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			(Railways) for the financial year 2009-10 and scrutiny of Explanatory Notes has revealed that the Ministry of Railways incurred a total excess expenditure of Rs. 1922.84 crore in 10 cases of 9 excess registering Grants/ Appropriations. This amount of excess expenditure was more than double the preceding financial year's total of Rs. 532.12 crore incurred in 9 cases of 8 excess registering Grants/Appropriations. Out of the total excess expenditure of Rs. 1922.84 crore, the bulk of the expenditure amounting to Rs. 1816.68 crore constituting 94.48 per cent of the total Grant was incurred under 4 Grants only *i.e.* (i) Grant No. 4—Working Expenses—Repairs and Maintenance of Permanent—Way and Works (Rs. 54.50 crore); (ii) Grant No. 5—Working Expenses—Repairs and Maintenance of Motive Powers (Rs. 88.71 crore); (iii) Grant No. 6—Working Expenses—Repairs and Maintenance of Carriages and Wagons (Rs. 161.20 crore); and (iv) Grant No. 13—Working Expenses—Provident Fund, Pension and Other Retirement Benefits (Rs. 1512.27 crore). According to the Ministry, the reasons for excess expenditure were implementation of the 6th Central Pay Commission Report, more expenditure on direct purchases, stores from stock contractual payment, increased expenditure on Periodical Over hauling (POH), meterialisation of more direful payments than anticipated. The Committee observe that while anticipating the requirement of funds by the Railways, estimations for various Sub-Heads could have been projected more realistically by analysing properly the total monetary effect of salary hike, prevailing expenditure trail, upcoming demands/requirements, rising cost etc. The Committee cannot but conclude that the indolent Ministry of Railways have not taken any timely corrective measures to improve their budgeting mechanism with a view to avoiding such a huge unauthorized expenditure. Deplorably, there is no mention

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			in the Explanatory Notes about the specific remedial measures taken by the Ministry to contain this persisting excess expenditure. It is apparent that the Ministry has paid scant respect to enforcing fiscal discipline while incurring want only excess expenditure, which is anything but regretable. Taking serious note of lack of concern and sustained efforts on the part of the Ministry in observing fiscal discipline, the Committee recommend that the Ministry of Railways strive earnestly for ensuring realistic estimation of their budgetary requirements under various sub-heads of the Grant/Appropriations operated by them so that their existing lapses/loopholes are identified and concrete remedial measures taken to obviate excess expenditure.
13.	13	Railways	The Committee are concerned to note that despite their repeated exhortations, the Ministry of Railways have not been able to stop misclassification of expenditure in the accounts of the Ministry of Railways. During the last 10 financial years, the Committee have come across 50 cases of misclassification of expenditure, the details being 1 in 2000-01, 5 in 2001-02, 3 in 2002-03, 5 in 2003-04, 9 in 2004-05, 6 in 2005-06, 5 in 2006-07, 3 in 2007-08, 6 in 2008-09 and 7 in 2009-10. This unabated trend of persistent misclassification of expenditure seems to have acquired endemic proportion in the Railways. Apparently no tangible action has been taken by the Ministry either to fix responsibility for avoidable errors or for rectifying the terminological ambivalence leading to misclassification. The Committee take a serious view of such callous approach on the part of the Ministry of Railways, which if left unchecked, would derail the budgetary exercise. The Committee recommend that the existing budgetary mechanism in the Railways needs to be thoroughly reviewed and revamped so that necessary corrective action, wherever warranted, could be taken to overcome systemic lacunae/loopholes and

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			progressive elimination of the misclassification syndrome. The persons responsible for this malady also need to be identified, the precise reasons ascertained for patent misclassification and responsibility fixed for the apparent lapses.
14.	14	Finance/Communications and Information Technology (Department of Telecommunications)/ Defence/Home Affairs/ Communications and Information Technology (Department of Posts)/Railways	Subject to the observations made in the preceding paragraphs, the Committee recommend that the expenditure referred to in paragraph 14 of Part-I of this Report be regularized in the manner prescribed in Article 115(1) (b) of the Constitution of India.

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